# MENLO PARK

## ECONOMIC DEVELOPMENT PLAN

JULY 2015

Prepared by BUILD PUBLIC

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# 01
# INTRODUCTION

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This Economic Development Plan is a strategic policy document intended to guide public decision-making related to future economic development in the City of Menlo Park. Rooted in a foundation of the City's eleven Economic Development Goals (Goals), the Plan proposes numerous policy strategies & specific recommendations to achieve the Goals. This Plan is intended to complement and inform other parallel long-term planning efforts, including but not limited to the "ConnectMenlo" General Plan Update and the El Camino Real Downtown Specific Plan biennial update. It is important to note that this is a *strategic* document; it does not dictate where and how specific recommendations should be memorialized in the municipal code, nor does it prescribe a priority hierarchy or timeline within which to implement such recommendations. It does suggest a broad strategy for prioritization.

## DOCUMENT STRUCTURE

The Plan consists of three main elements: a Comparative Economic Advantages Study (CEAS), the Goals, and a series of Strategic Policy Recommendations towards implementing the Goals. The CEAS lays the foundation for the Economic Development Plan by outlining Menlo Park's economic advantages, opportunities and challenges in relation to other similar cities in the Silicon Valley region and the broader San Francisco Bay area. It was completed in November 2014 by the UP Urban Inc. (now Build Public) consultant team in close collaboration with the Menlo Park Office of Economic Development, the Menlo Park Economic Development Stakeholder Group and the Menlo Park City Council. The underlying data for the CEAS were drawn from a comprehensive Economic Trends Report completed for Menlo Park by BAE Urban Economics in April 2014. The CEAS synthesizes this 70-page Trends Report into a more targeted 15-page document that identifies several key opportunities to guide the City's economic development strategy.

The CEAS informed the development of the Goals, which provide the guiding direction for the Economic Development Plan. The Menlo Park Office of Economic Development, the Menlo Park Economic Development Stakeholder Group the Menlo Park City Council, and the consultant team collaboratively developed the Goals, which were approved by the City Council on February 24, 2015. Although the Plan does not include implementation timelines, the eleven Goals have been organized by City staff in order of relative priority.

The final element of the Plan is an interrelated set of Policy Recommendations that provide direction for implementing the Goals. The most detailed component of the Plan, this section outlines general strategies and specific recommendations for implementing each goal. It draws from best practices and is supported by case studies as well as consultant team experience. It should be recognized that the City may already be in the process of implementing some of the recommendations contained in this Plan.

## AN INTERESTING CONFLUENCE OF SMART GROWTH AND SMART ECONOMICS

In highly developed economies like the San Francisco Bay Area, there is a growing nexus between smart urban planning and the attraction and retention of high-quality "innovation sector" jobs. Long-held planning principles such as "walkable urbanism" are now considered important competitive advantages among cities in attracting top tech companies and talent. Places where residents and workers can walk, bike or take public transit rather than drive alone, that offer a wide range of amenities, and that provide social gathering opportunities for collaboration, creativity and play, are desirable for all members of the community and are in especially high demand by workers in the innovation and technology sectors. Worth noting is that these "creative class"

workers are largely responsible for the significant economic growth in the technology and innovation sector, earning nearly twice as much on average as workers in other sectors.[1] As further described by economist Enrico Moretti:

> *"Innovative industries bring 'good jobs' and high salaries to the communities where they cluster, and their impact on the local economy is much deeper than their direct effect. Attracting a scientist or a software engineer to a city triggers a multiplier effect, increasing employment and salaries for those who provide local services… for each new high-tech job in a city, five additional jobs are ultimately created outside of the high-tech sector in that city."*[2]

Thus, many of the strategies in this Plan emphasize the importance of creating walkable, mixed-use, transit-accessible places at a mix of scales, to retain and attract the robust creative class and drivers of the innovation economy already living and working in and around Menlo Park.

1 Florida, Richard. 2012. The Rise of the Creative Class. Basic Books: New York. Page 4.

2 Moretti, Enrico. 2012. The New Geography of Jobs. Mariner Books, Houghton Mifflin Harcourt: Boston. Page 25.

# 02

# COMPARATIVE ECONOMIC ADVANTAGE STUDY (CEAS)

# I. EXECUTIVE SUMMARY

## PURPOSE

This comparative study is the foundation for the Menlo Park Economic Development Plan. Accordingly, this study does not propose goals, objectives and policies, but rather identifies Menlo Park's comparative economic advantages, opportunities and constraints. A citizen-based This analysis has been reviewed and by the Economic Development Plan Stakeholder Group provided the primary direction to the consultant team regarding the City's values and goals, and reviewed and approved this study in December 2014.

## KEY CONCLUSIONS:

- With one of the most educated populations in the Bay Area, with the highest average household incomes and largest share of local workforce employed in the innovation sector, Menlo Park is an extraordinary beneficiary of the regional innovation economy.
- With some of the lowest office vacancy rates and highest monthly rents in the region, Menlo Park is well positioned to capture greater public benefit by leveraging its unique regional real estate advantage.
- However, the good luck of being situated at the center of one of the world's most dynamic innovation clusters can also lead to complacency in regard to planning for future economic success.
- Menlo Park is failing to capture many of the economic multipliers that innovation sector jobs can bring to local economic development.
- More specifically, Menlo Park is missing out on retail businesses, jobs, and their associated sales tax revenue and public amenity value. It has one of the lowest retail per office job ratios in the peer review group, very low retail vacancy rates and very low per capita sales tax revenue.
- A growing share of innovation jobs, tech employers and venture capital are moving to walkable, compact and transit-oriented urban centers like San Francisco. The now-aging millennial generation has a strong preference for these same walkable urban places.
- Menlo Park has one of the lowest Walk Scores of its peer group, reflecting its relatively low density, automobile orientation, and poor walking access and proximity to resident and employee-serving amenities like retail and professional services.
- For Menlo Park to remain economically competitive and resilient over the next 25 years, it needs supportive land use and development plans that encourage denser, walkable mixed-use neighborhoods in transit-rich locations.
- Menlo Park could also capture a larger portion of retail and service businesses and jobs if it pursues progressive land use and urban design policies that encourage such growth.
- Policies that support walkable urbanism are also great economic development strategies. Such policies simultaneously enhance livability and public health for families while generating higher sales tax revenue and long-term economic competitiveness and resiliency.
- Many Bay Area cities have adopted land use plans that encourage walkable urbanism around fixed transit with the express intention of capturing innovation sector jobs.
- Menlo Park needs to view better connections to regional transit as a vital tool for the City's long-term economic development.

# II. FINDINGS

***Part I*** *compares Menlo Park to a broad list of cities in the Bay Area based on their basic demographics and how well these cities are currently capturing the benefits of the regional innovation economy.*

***Part II*** *explores whether Menlo Park is well positioned to capture the future benefits of the regional innovation economy by comparing it to a smaller peer group in regards to tax revenue, land use, office space capacity, and transit services.*

*All tables and maps cited in the findings are located in the Appendix. A set of case studies summarizing successful upzoning and placemaking efforts has also been included to demonstrate the array of strategies being employed by various cities across the region.*

**Part I Comparison Group:** Part I of the study looked at 22 cities in the Bay Area that are likely to create innovation sector jobs in the medium term. Innovation sector jobs are important to Menlo Park because they generate significant economic multiplier effects in the local economy. The comparison cities were chosen based on three criteria:

(1) they already have clusters of innovation-economy jobs;

(2) many residents are in their twenties and thirties; and

(3) they are walkable.[1]

### Comparison Group Cities:

- Alameda
- Berkeley
- Brisbane
- Burlingame
- Cupertino
- Daly City
- Emeryville
- Foster City
- Fremont
- Mountain View
- Oakland
- Palo Alto
- Redwood City
- Richmond
- San Bruno
- San Carlos
- San Francisco
- San Jose
- San Mateo
- Santa Clara
- South San Francisco
- Sunnyvale

[1] The cities chosen have significant clusters of jobs in NAICS sectors 51 and 54; have a 12% or greater share of population between 20 and 34; and have a Walk Score from walkscore.com of at least 40.

## PART I FINDINGS

**High Degree of Regional Integration:** Menlo Park's economy is tightly integrated into the larger Bay Area economy. Like many cities in the region, the majority of workers in Menlo Park commute from outside the city, and the majority of Menlo Park residents travel to other Bay Area cities to work. These commuters follow the transportation network. They come south from San Francisco and other points on the Peninsula; north from San Jose and Sunnyvale; and across the bridges from Hayward and Fremont. Menlo Park residents travel to the same cities to work (Maps 1 & 2).

**Low Population, but Average Demographics:** When considering the importance of innovation sector jobs, it is important to look at local demographics because many start-ups rely on the talent of young people (and their willingness to take risks) to fuel early growth. Compared to its peers, Menlo Park has fewer people aged 20-35 than most of the other cities (Table 1). That difference shrinks when we measure resident between 20 and 35 as a share of total population, but Menlo Park still has a lower share of young workers than many other cities. When we look at other age groups, Menlo Park is not an outlier – the share of residents under 20, between 35 and 55, and over 55 are average for the peer group (Tables 2-5).

**High Average Household Income:** At $109,209, Menlo Park enjoys one of the highest average household incomes among the comparison group (Table 6).

**High Educational Attainment:** Menlo Park has a higher share of residents with a bachelor's degree or higher than nearly all the other cities in the

comparison group (Table 7), and also has a higher share of residents with graduate or professional degrees (Table 8). A hallmark of the innovation-economy is a well-educated workforce.

**A large share of Menlo Park's employment is in the innovation sector, but these jobs are only a small share of the all Bay Area innovation jobs:** Menlo Park's cluster of innovation sector jobs is not among the biggest in the Bay Area, but it's not small either (See Table 9). It's in a "third tier" behind giants like San Francisco and San Jose, and behind medium-large clusters like Palo Alto, Mountain View and Sunnyvale. At the same time, Menlo Park is very conveniently located to access to many neighboring clusters of innovation-economy jobs, like Palo Alto, Mountain View, and Sunnyvale.

Although Silicon Valley remains the world leader in fostering tech startups and innovation sector jobs, a significant portion of the innovation economy is shifting to large cities nearby. San Francisco now attracts more venture capital investment than Silicon Valley, and it holds the headquarters of Twitter, Yelp, Pinterest, Uber, Lyft, Dropbox, Salesforce, Instagram, BitTorrent, Zynga, and more. Technology companies are engaged in fierce competition for the most skilled workers, and these workers are increasingly interested in living in cities.

This trend does not pose an immediate threat to Menlo Park, as tech employment in the City is currently strong (See Table 10). Menlo Park has a higher percentage of jobs in the innovation sector than most other cities. However, the City should be considering its place in a future where technology companies increasingly seek downtown locations with an energetic and walkable urban environment.

**Menlo Park is failing to capture its retail and service sector potential:** Menlo Park lacks retail services in many neighborhoods, which inconveniences City residents. It also leads many highly-paid workers in the City to spend their money in Palo Alto, Redwood City, or San Francisco instead of spending it in Menlo Park. This reduces sales tax revenues. Menlo Park now hosts a considerable number of innovation-economy employees, but many of these employees likely spend their money in Redwood City, San Francisco, and Berkeley because of the lack of retail. One solution would be to densify employment centers in Menlo Park. Research has shown that as employment density increases employees have more opportunities to shop near their workplace, if land use regulations allow it.[2]

## WHAT IS THE INNOVATION ECONOMY?

The innovation sector is defined by industries that require human capital and ingenuity like bio-tech, hi-tech, prototyping, social media, information technology, and the venture capital that supports these ventures.

At the same time, the May 2014 *Economic Trends Report* found that little vacant retail space remains in the City.[3] This suggests that increasing retail services will require crafting land use policies to permit more retail. It will also require an effort to generate a more lively and walkable urban atmosphere in the City center. More people walking and biking on downtown streets – and more people living downtown – will support a more lively retail district. Consider the most successful shopping districts in the region – places like Palo Alto, Redwood City, and San Francisco. They don't just have stores – they have a busy, exciting atmosphere that comes from having more people on the street. In each of these locations, medium-density and high-density housing in central locations has played a key role in establishing thriving retail centers (See Case Studies for examples of successful retail districts in the region). Of course, it would be misguided for Menlo Park to try to become any of

[2] Chatman, D. G. (2002). The Influence of Workplace Land Use and Commute Mode Choice on Mileage Traveled for Personal Commercial Purposes. Presented at the TRB 2003 Annual Meeting, Transportation Research Board.

[3] BAE Urban Economics. (2014). Menlo Park Economic Development Strategic Plan Phase 1: Economic Trends Report.

these communities. However, the City can use the experience of these local examples to develop its own template for success.

**A Low Retail to Office Jobs Ratio:** So how is Menlo Park doing when it comes to capturing the local economic benefits from tech economy growth? There is no simple way to measure this, but one way is to count how many retail jobs there are for every office job.

Menlo Park has fewer retail jobs per office job than most of the cities in the comparison group (See Table 11). Measured in this way, it seems like Menlo Park may be leaving some benefits of the tech economy on the table for neighboring cities to capture. It's important to note, however, that two cities that have similar ratios of retail jobs to office jobs are not necessarily similar in other ways. A city could have a high ratio because it has a lot of retail jobs – or it could have a high ratio because, while it has a moderate number of retail jobs, it doesn't have many office jobs.

**It might be time to turn Facebook inside out:** In Silicon Valley, many tech companies try to make their workplaces more comfortable and inviting by offering goods and services that their employees can take advantage of without leaving the office. Facebook has installed a 9-restaurant food court, a candy shop, a bicycle repair shop, a video arcade, and a barbershop.

It is important to keep in mind how this affects the local economy. On an average street in Menlo Park, a collection of shops like this would feel a lot like a real "main street," which would likely attract nearby residents and non-Facebook employees, driving greater sales and creating employment opportunities—extending the multipliers outward. In sum, turning the campus "inside out" would likely generate greater positive externalities[4] than closing the doors and recycling existing wages in a closed system. Instead these services are currently "internalized" on a closed campus, which in turn reduces the need of employees to seek services in the surrounding neighborhood.

**Walkability, Accessibility, and Livability Reinforce Economic Competiveness and Resiliency in the Innovation Economy:** Measuring a neighborhood's relative level of "walkable urbanism" is difficult. In this study we assess walkable urbanism by using Walk Scores. This is a score between 0 and 100 developed by Walk Score, a company that promotes alternative transportation modes. A Walk Score is a good predictor of things like retail store concentration and density of transportation options – things that contribute to the overall convenience and appeal of a given neighborhood.

Menlo Park's Walk Score is lower than the comparison group average (see Table 12). Why is this important? One benefit of

walkable neighborhoods is that they have higher property values and more economic activity. A 2012 study of neighborhoods in Washington, D.C. found that walkable neighborhoods have higher home sales prices, higher rents, and higher retail sales.[5]

Walkable neighborhoods also promote health. A 2014 survey conducted in six major U.S. cities found that people who moved to a neighborhood with a higher Walk Score walked more and reduced their body mass index.[6]

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[4] A positive externality exists when an individual or firm making a decision does not receive the full benefit of the decision. The benefit to the individual or firm is less than the benefit to society. Thus when a positive externality exists in an unregulated market, the marginal benefit curve (the demand curve) of the individual making the decision is less than the marginal benefit curve to society. With positive externalities, less is produced and consumed than the socially optimal level. This dilemma may, among other factors, be the reason that Facebook hasn't expanded its retail and service offerings outward into Menlo Park.

[5] Leinberger, C. B., & Alfonzo, M. (2012, May). Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C. Retrieved November 13, 2014, from http://www.brookings.edu/research/papers/2012/05/25-walkable-places-leinberger

[6] Hirsch, J. A., Diez Roux, A. V., Moore, K. A., Evenson, K. R., & Rodriguez, D.A. (2014). Change in walking and body mass index following residential relocation: the multi-ethnic study of atherosclerosis. American Journal of Public Health, 104(3), e49–56.

## CAPTURING THE BENEFITS OF THE INNOVATION SECTOR

One reason that the innovation sector is important for the local economy is that it has a higher multiplier effect. This is because local economies are interconnected through a complex web of transactions. Each new worker helps support local jobs by going to restaurants, shopping at the grocery store, getting car repairs, visiting the dentist, and so on. The company that hires a new worker also pushes more money into the local economy in various ways, from buying office supplies to engaging the services of outside professionals like lawyers and consultants, or even yoga instructors.

These are called **multiplier effects** – and innovation-economy jobs have higher multiplier effects than most jobs. Berkeley economist Enrico Moretti has estimated that each new high-tech job in a metropolitan area leads to the creation of five more jobs outside of the high tech sector. A multiplier is a number showing how changes (jobs, earnings, or sales) in one sector will propagate to other sector in a regional economy. For example, a jobs multiplier of 3 means that a change of 100 jobs in that sector would lead to a total change of 300 jobs (3 x 100 = 300) in the larger regional economy. This 300 includes the original 100 jobs, meaning the additional change is 200. As Moretti emphasizes in his book *The New Geography of Jobs*:

*With only a fraction of the jobs, the innovation sector generates a disproportionate number of additional local jobs and therefore profoundly shapes the local economy. A healthy traded sector[1] benefits the local economy directly, as it generates well-paid jobs, and indirectly as it creates additional jobs in the non-traded sector.*

*What is truly remarkable is that this indirect effect to the local economy is much larger than the direct effect… for each new high-tech job in a metropolitan area, five additional local jobs are created outside of high tech in the long run.*

*[And] it gets even more interesting. These five jobs benefit a diverse set of workers. Two of the jobs created by the multiplier effect are professional jobs — doctors and lawyers —while the other three benefit workers in nonprofessional occupations — waiters and store clerks. Take Apple, for example. It employs 12,000 workers in Cupertino. Through the multiplier effect, however, the company generates more than 60,000 additional service jobs in the entire metropolitan area, of which 36,000 are unskilled and 24,000 are skilled. Incredibly, this means that the main effect of Apple on the region's employment is on jobs outside of high tech.*

However, these multiplier benefits are not necessarily captured in Menlo Park. They are regional: they are likely to cluster nearby, but nearby could be in the next town or ten miles away. Partly, this depends on where the new innovation sector workers end up spending their high wages – and this depends on what shopping or service offerings are available in each city. A new tech workers' money is likely to be spent wherever they find the largest, most vibrant most convenient and, perhaps, most walkable concentrations of shops and services.

These regional shopping destinations are likely to be downtown neighborhoods that are mixed-use and medium-density to high-density, with access to transportation services. It is no accident that these high-amenity urban neighborhoods are increasingly attracting Millenials and tech startups.

[1] A traded sector is one that sells to outsiders, bringing in outside money into the region, while a non-traded sector is one that serves the residents of the region

## HOW IS THE WALK SCORE CALCULATED?

The most important element is **proximity to amenities** – the places people travel to reach. Examples include shops, schools, offices, and parks. Neighborhoods with shorter walks to nearby amenities have a higher Walk Score.

Another element is **population density**. Some trips simply go from one home to another. Where homes are closer together, it is easier to walk between them. Higher population density is also associated with other qualities that make walking easier, like good transit services.

Another element is the **design of streets and blocks**. It is more difficult to walk where blocks are longer and streets have curves and dead ends, because pedestrians are often forced to take longer indirect routes. Neighborhoods with shorter blocks and more frequent intersections allow pedestrians to choose more direct routes. These neighborhoods have higher Walk Scores.

Researchers have investigated whether Walk Scores are actually a good assessment of a neighborhood's walkability. They found that people in neighborhoods with higher Walk Scores are more likely to walk to destinations, and spend more time each week walking[1].

[1] Hirsch, J. A., Moore, K. A., Evenson, K. R., Rodriguez, D. A., & Diez Roux, A. V. (2013). Walk Score® and Transit Score® and walking in the multi-ethnic study of atherosclerosis. American Journal of Preventive Medicine, 45(2), 158–166.

Researchers and market analysts believe that homes in dense urban areas with access to good transportation and shops command higher prices, and that demand for them is rising. Homes in urban areas command a price premium of 15%.[7] An analysis of home prices during the turbulent period from 2007 to 2012 found that homes in urban neighborhoods maintained their value better than suburban homes.[8] Surveys have found an unmet demand for homes in urban neighborhoods: many people living in the suburbs, particularly young people, would prefer to move to more central locations with better transportation.[9] (Of course, this just confirms what apartment prices tell us: housing is expensive in these neighborhoods because demand for it is high.)

Due to the business advantages of locating in walkable urban neighborhoods, commercial real estate there commands higher prices.[10] Companies are drawn to urban locations to better know their customers and to attract well-educated employees, who prefer to live in cities. Even the technology industries that were born in Silicon Valley have begun shifting to San Francisco, which now holds the headquarters of Uber, Lyft, Salesforce, Twitter, Instagram, Pinterest, BitTorrent, Zynga, Reddit and Yelp. San Francisco now attracts more venture capital investment than Silicon Valley.[11]

## PART II OVERVIEW

**The Comparison Group:** Here we narrow our focus, and compare Menlo Park to a shorter list of ten Bay Area cities. These cities are not necessarily similar to Menlo Park, except in the sense that they are all attractive places for innovation sector businesses to locate. These communities compete with Menlo Park to capture local multiplier jobs and economic activity. By analyzing tax revenue, land use, office space capacity, and transit services we get a sense

[7] Song, Y., & Knaap, G.-J. (2003). New urbanism and housing values: a disaggregate assessment. Journal of Urban Economics, 54(2), 218–238.

[8] Gillen, K. (2012). The Correlates of Housing Price Changes with Geography, Density, Design and Use: Evidence from Philadelphia. Congress for the New Urbanism. Retrieved from http://www.ssti.us/2012/11/the-correlates-of-housing-price-changes-with-geography-density-design-and-use-evidence-from-philadelphia-congress-for-the-new-urbanism-2012/

[9] RSG. (2014). Who's on Board 2014: Mobility Attitudes Survey. Transit Center.National Association of Realtors. (2013). NAR 2013 Community Preference Survey.

[10] Pivo, G., & Fisher, J. D. (2011). The Walkability Premium in Commercial Real Estate Investments. Real Estate Economics, 39(2), 185–219.

[11] Florida, R. (2014). Startup City: The Urban Shift in Venture Capital and High Technology. Toronto: Martin Prosperity Institute.

of Menlo Park's current climate and overall fitness to capture future economic benefit in comparison to these peer cities. They are:

| | |
|---|---|
| Burlingame | Pleasanton |
| Emeryville | Redwood City |
| Foster City | San Francisco |
| Mountain View | San Mateo |
| Palo Alto | Walnut Creek |

## PART II FINDINGS

**Menlo Park needs more compact, walkable mixed-use urbanism:** As we've discussed, the positive "spillovers" from new jobs and economic growth are likely to be captured in cities with vibrant mixed-use retail centers. This raises the issue of land use policies – the zoning rules that determine where retail uses, as well as offices and homes, are allowed to locate. The positive spillovers are likely to be captured in areas where land use regulations permit mixed uses at medium- to high-density. Good data about municipal land use is hard to get. One way that land use can be evaluated is by comparing the amount of commercial and industrial building space that is available in each city, and in this case we used information published by the real estate company Colliers International (Table 13) which shows a good mix of office and industrial/Research & Development available in Menlo Park as of Q2-Q3 2014.

Another way to compare how cities use land is to measure their capacity for further housing development. In California, cities are required to estimate future housing development capacity in the housing element of their general plan (Table 14). As of 2014, Menlo Park has fulfilled 40% of its housing capacity, which is more than many other cities in the peer group, but still suggests room for growth.

Taken together, these two indicators suggest Menlo Park is primed for considerable compact mixed-use development at greater densities than its historic norm.  Menlo Park is missing out on positive "spillovers" from new jobs and economic growth. Around the Bay Area, cities are making plans to capture coming growth. Cities from Walnut Creek to Redwood City to San Jose are making ambitious changes to land use policy, building walkable neighborhoods with excellent transportation, and hoping to attract well-educated young people and innovative entrepreneurs. (See Case Studies for examples of cities increasing density and focusing on urban design to capture the benefits of the innovation economy).

Menlo Park has succeeded in the past because it offered exactly the sort of places that innovative companies wanted to be. It needs to consider its place in a future where more companies are looking for walkable, vibrant and urban neighborhoods.

**Menlo Park is missing out on tax revenue:** Most city governments take in much of their revenue from three major taxes: property tax, sales and use tax, and hotel tax (also called transient occupancy tax). Looking at these revenues is a quick way to get a sense of the local economy.

Sales tax revenues in Menlo Park are among the lowest in the peer group, due to Menlo Park's relatively low concentration of retail business. On a per capita basis, Menlo Park sinks even further, tabreceiving only $18,601 per residents in sales in 2013 (Table 15). This reinforces the reality that while Menlo Park is positioned in a tightly integrated regional economy, it's missing out on its share of the benefit because of a low concentration of retail business. The *right* kind of office (medium density, mixed-use) would create new retail needs which would in turn capture more tax revenue.

Menlo Park has lower property tax revenues than many of the cities in the peer group. This may seem strange, since homes in Menlo Park are fairly expensive. However, they are primarily single-family residences; property values are significantly higher in cities with densely developed office and residential buildings.

Hotel tax revenues in Menlo Park are near the middle of the peer group. These revenues are higher in cities with large or numerous hotels. (Tables 16 & 17)

**Menlo Park has highly valuable office space and extraordinary demand for more:** As of 2014, Menlo Park has a little more than 5 million square feet of office space (See Table 18). To put that in perspective, San Francisco – which hosts the largest concentration of office space in the region – has about 89 million square feet. Palo Alto has about 10 million square feet of office space, and Mountain View has about 4 million square feet.

As of 2014, Menlo Park's office space generates more money per square foot than anywhere else in the Bay Area. Monthly office rents are $6.77 per square foot (Table 19). And only 5.7% of office space is vacant – nearly the lowest vacancy rate in the Bay Area (Table 20 & 21).

Taken together, these indicators suggest that Menlo Park enjoys a highly valuable office market with room to grow to increase its share of benefit in the innovation economy.

**Menlo Park ranks low on access to regional transit:** With the exception of Foster City, all cities in the peer group have some level of fixed-route transit service – commuter trains or light rail (Map 3). Based on this data, we can estimate the distance to the nearest fixed-route transit station from the centroid (geographic center) of each census block group in the peer group cities. By weighting these distances by each block group's population, we can estimate the average distance to a fixed-route transit station among all residents in each city (Map 4). By this measure, Menlo Park falls low on the list for transit proximity.

This highlights the importance of location and transportation. When a business looks for a location, good transportation options – and the variety of goods and services that come with it – are a selling point. It is no coincidence that the cities with thriving innovation sectors nearly all have access to high-quality public transportation.

The San Francisco Peninsula has traditionally dominated the Silicon Valley innovation economy. However, recently more tech companies have begun to locate in San Francisco. This may indicate that the growing importance of urban amenities, including high-quality transit service.

If that is the case, then East Bay and South Bay communities with BART service, like Oakland, Fremont, and (in the near future) San Jose, may have significant potential for innovation-sector growth, while cities like Menlo Park must depend on CalTrain to connect them to the regional economy. Transit systems don't evolve overnight, however in order to be a competitive player in the regional economy, Menlo Park must view better connections to regional transit as a vital tool for the City's long-term economic development.

# III. APPENDIX

## CASE STUDIES

### Warm Springs Station, Fremont

The Warm Springs/South Fremont Community Plan, approved in July 2014, charts a development path for nearly 900 acres of land with 10 different planning areas, each with distinct land use plans that mix various uses. For each of these zones, the plan establishes a minimum building intensity (FAR) by use, with the goal of providing flexibility for development over time while maintaining a diversity of uses (See Table). In addition to minimum FAR, Jobs Factor and Minimum and Maximum Site Area to help reach regional goals for housing and employment.

**TAKE AWAY:** This ambitious plan allows for a mix of residential, office, industrial and retail uses in the area, previously been zoned for heavy industrial use. Rather than focusing on maximum FAR, Warm Springs sets a minimum building intensity paired with rigorous form-based guidelines, to ensure new development is filling in at an intensity and form that matches their vision for the area: an innovation district offering a unique opportunity for inventive, flexible development of new and expanding businesses interwoven with areas for living, learning and commerce.

| **Total Site Area** | |
|---|---|
| 900 acres | |
| **Intensity/FAR** | |
| **Use:** | **Min. FAR** |
| Industrial | 0.35 |
| Research & Development | 0.5 |
| Office & Convention | 1.5 |
| Hotel | 1.5 |
| Retail & Entertainment | 2000 SF/acre |
| **Project Targets** | |
| Min. Gross Floor Area | 11,521,526 SF |
| Min. Dwelling Units | 2,700 |
| Total Jobs | 20,000 |
| Public Open Spce | 4 acres |

### Bay Meadows, San Mateo

The first Bay Meadows Specific Plan (Phase I), adopted in 1997, contemplated two specific parcels near the 101/Hillsdale Blvd. exit for redevelopment. Along with other design guidelines, the plan set an FAR for .5 and 1.34 FAR for each parcel with the goal of creating a mixed-use, walkable and bikeable “gateway identity” to the City of San Mateo. The Phase II Specific Plan Amendment, adopted in 2005, took even greater advantage of the existing and expanding CalTrain commuter rail line linking San Francisco to San Jose and Gilroy. The proximity to the new express train station provided a unique opportunity for Phase II to advance the mixed- use principles initiated in Phase I. Along with other extensive design guidelines, a maximum FAR of 2.0 and 50 du/acre was approved for mixed-use parcels and residential parcels respectively, with the combined goal of

| **Total Site Area** | |
|---|---|
| 83 acres | |
| **Intensity/FAR** | |
| **Phase** | **Max. FAR** |
| Phase I | .5-1.34 |
| Phase II | 2 and 50 DU/acre |
| **Project Targets** | |
| Residential | 1,250 DU |
| Office | 750000 SF |
| Retail | 150,000 SF |
| Public Space | 15 acres |

creating a compact, walkable, transit-oriented community.

**TAKE AWAY:** After nearly two-decades of planning, Bay Meadows is currently coming to life. It's an excellent example of a city successfully master planning a walkable, mixed use district near transit. Once fully developed, the 83 acre Bay Meadows will boast 1,250 residential units, over 750,000 square feet of office space, 150,000 square feet of retail, and nearly 15 acres of public space.

## Downtown Redwood City

Redwood City's Downtown Precise Plan (DTPP), adopted in 2011 (amended in 2013), established height limits in 6 zones and a Maximum Allowable Development (MAD) guidelines for the DTPP Area as a whole (183 acres). The MAD restricts residential development to 2,500 net new dwelling units, office development to 500,000 net new square feet of gross floor area, retail development to 100,000 net new square feet of gross floor area, and lodging development to 200 net new guest rooms. The DTTP places no limit on dwelling units per acre (du/ac) and floor area ratio (FAR) on a site-by-site basis. Instead, intensity of development is guided by the form-based codes that establish design guidelines, the MAD, and height limits by zone, ranging from 3-12 stories.

| **Total Site Area** | |
|---|---|
| 183 acres | |
| **Intensity/FAR** | |
| 6 height zones 3-12 stories | |
| **Project Targets** | |
| MAD | Amount |
| Residential | 2,500 DU |
| Office | 500,000 SF |
| Retail | 100,000 SF |
| Lodging | 200 DU |

**TAKE AWAY:** With this comprehensive plan, Redwood City has approached downtown revitalization from the perspective of establishing an overall "mold" for future development and released a limited amount of developable square footage at this time to fill it. The plan has brought a flood of new development to Redwood City, so much so that the MAD limit for office has already been reached. Redwood City is now in the position to release additional square footage to fill their "mold" at the rate that they wish.

## North San Jose

The North San José Urban Design Guidelines set ambitious goals for transforming the neighborhood into a more walkable and urban setting. The guidelines call for higher-density residential and commercial development; a more active public realm that encourages walking and biking; and a diverse mix of uses that provide places for living, working, shopping, recreation, and education. These goals required major changes to density and height requirements. Buildings in the neighborhood core were given a height minimum of 4 stories (1.2 effective FAR), although this was subsequently reduced to 3 stories (.8 effective FAR) based on feedback from developers. Height maximums were set at 120 to 250 feet. The plan allows for 26.7M SF office/ industrial, new 32,000 homes and 1.7M SF of commercial.

| **Total Site Area** | |
|---|---|
| 4,795 acres | |
| **Intensity/FAR** | |
| *Core Area FAR was recently reduced from 1.2 to .8, height maximums are 120-250 ft.* | |
| **Project Targets** | |
| Office/Industrial | 26.7M SF |
| Commercial | 1.7M SF |
| Residential | 32,000 homes |

**TAKE AWAY:** San José is actively seeking to capture more employment and economic activity in North San Jose to balance the City's high concentration of housing. Effective FAR was recently reduced at the urging of developers, suggesting the city's appetite for change may be outpacing developers' ability to build profitable projects.

## Walnut Creek: Locust Street / Mt. Diablo Boulevard Specific Plan

For many years, Walnut Creek has focused planning efforts on restoring its historic downtown and creating a walkable urban core with strong connections to the BART station. To City leaders, a dense and walkable downtown was seen as an economic development strategy – a way to weather the decline of auto dealerships and the hollowing out of downtown retail.

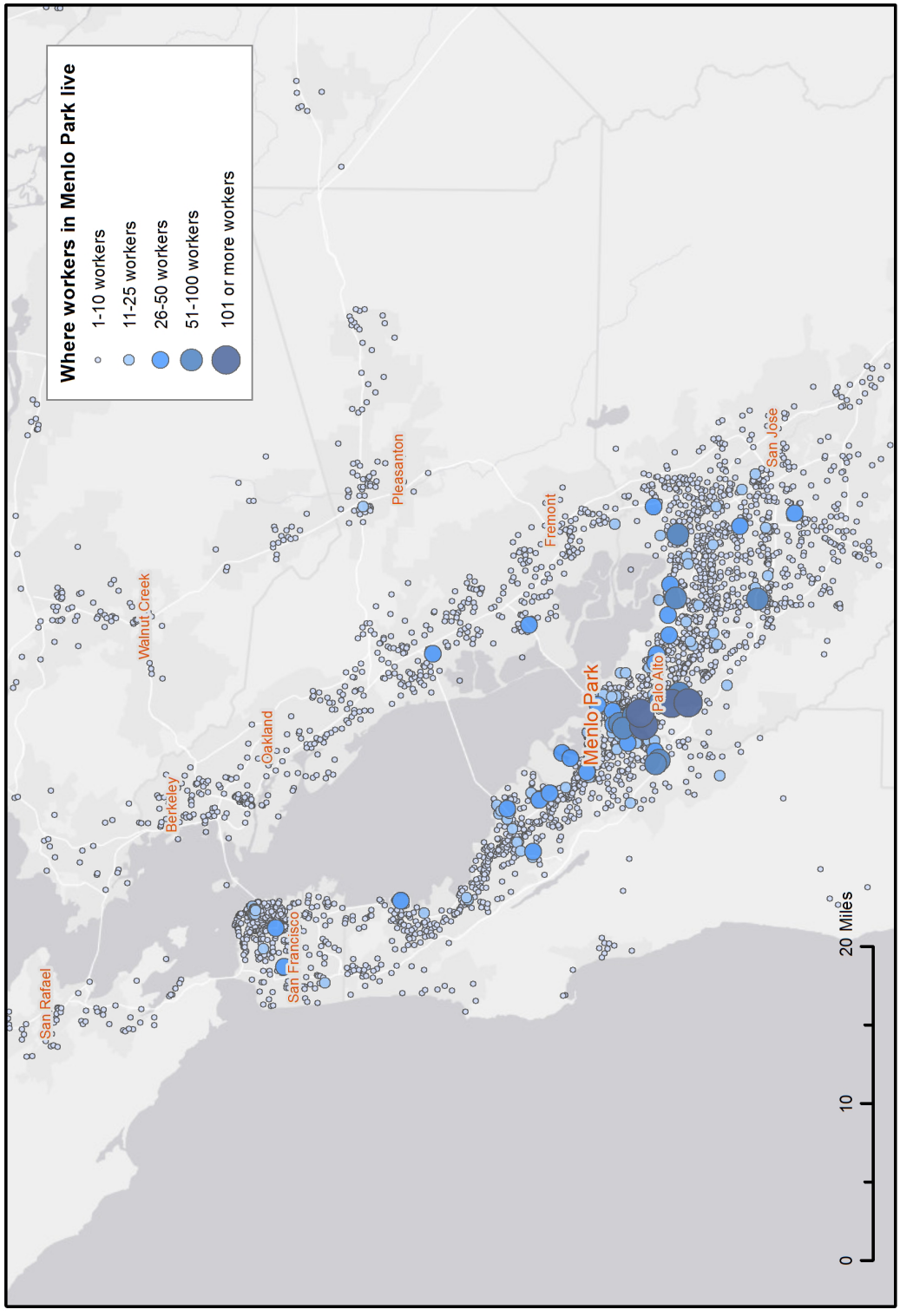
**TAKE AWAY:** The strategy has produced dramatic results. An area once dominated by parking lots, wide streets and auto dealerships has been redeveloped with dense housing, offices, parking structures, and pedestrian-oriented retail. Rapid commercial and residential development continues, putting Walnut Creek well along the transition to a vibrant and walkable center.

## Fourth Street, Berkeley

In the 1960s, a local redevelopment agency was established to create an industrial park in Berkeley's Fourth Street neighborhood. Homes were demolished and moved, but industrial businesses did not come. After letting the land lie fallow for more than 15 years, the City abandoned its plans and allowed Abrams/ Millikan & Kent, a small design-build firm, to build the Building Design Center, a small retail center selling home improvement supplies. The Fourth Street Grill came shortly after, and from this nucleus a shopping neighborhood began to grow.

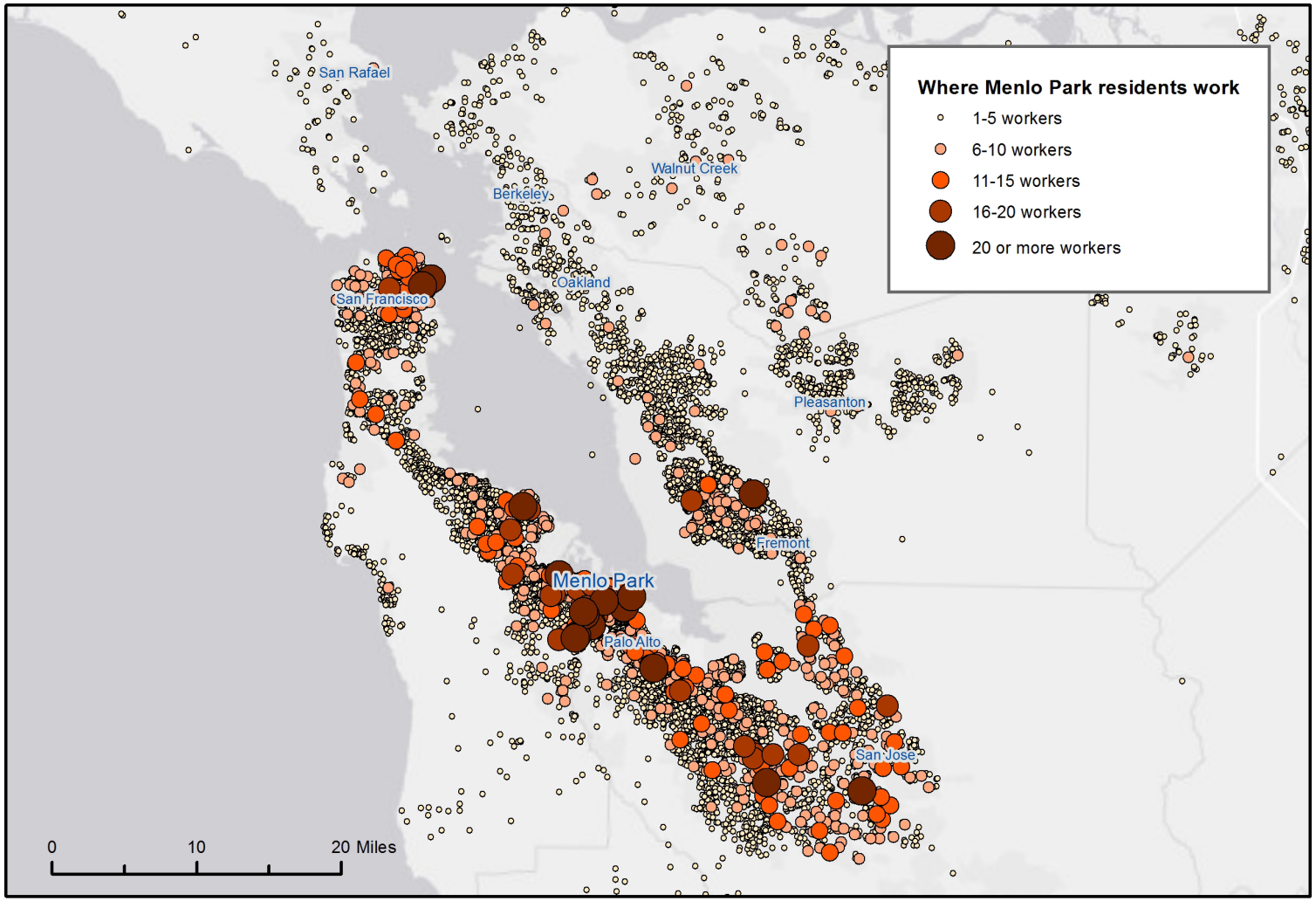
**TAKE AWAY:** Today Fourth Street is a vibrant shopping district that attracts visitors from throughout the Bay Area. The history of the neighborhood holds an interesting lesson for local government: not all good neighborhoods are planned. Sometimes all you need to do is get out of the way.

## Map 1. Where workers in Menlo Park live



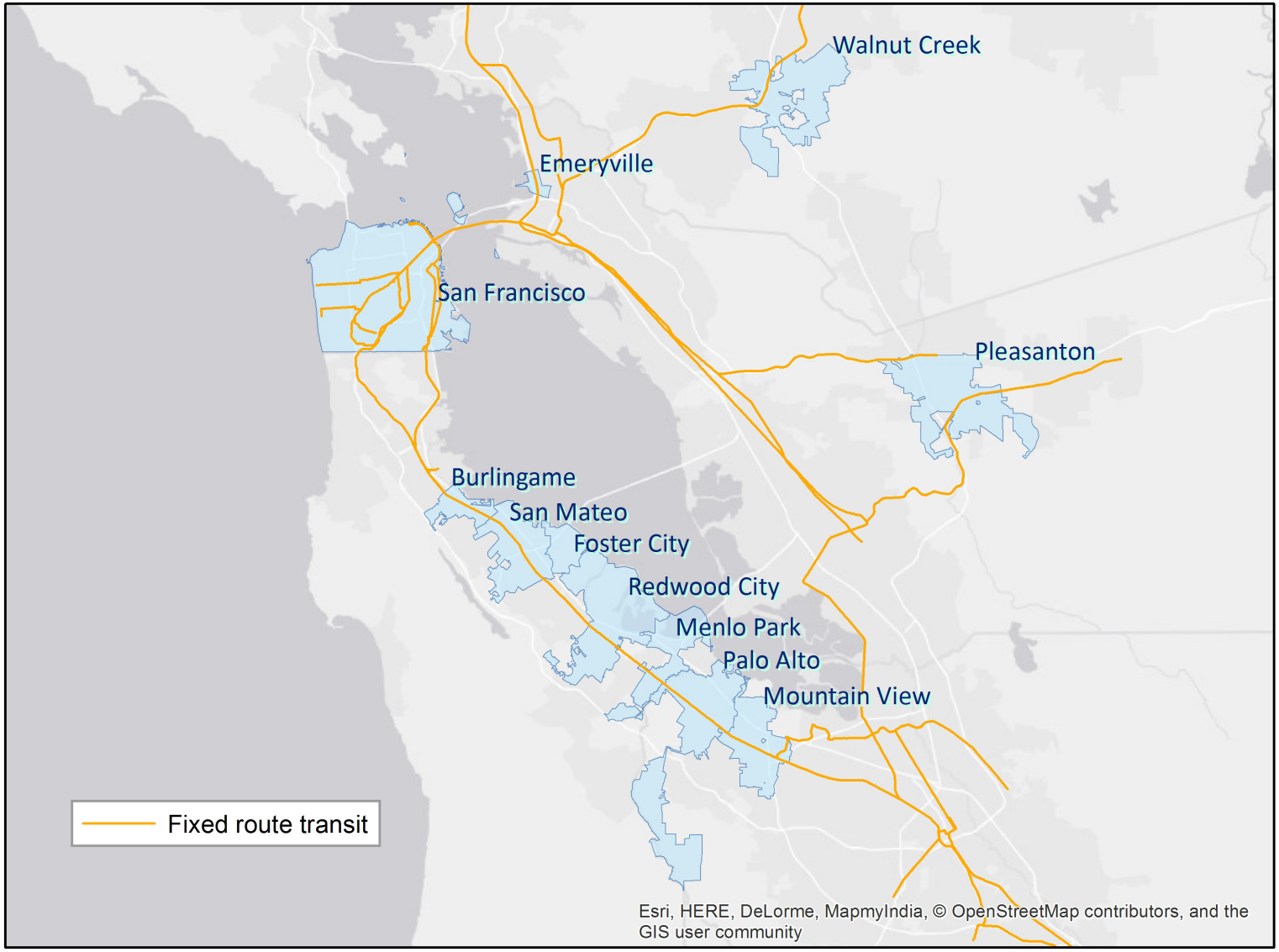

Source: United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Residence Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014.

## Map 2. Where Menlo Park residents work



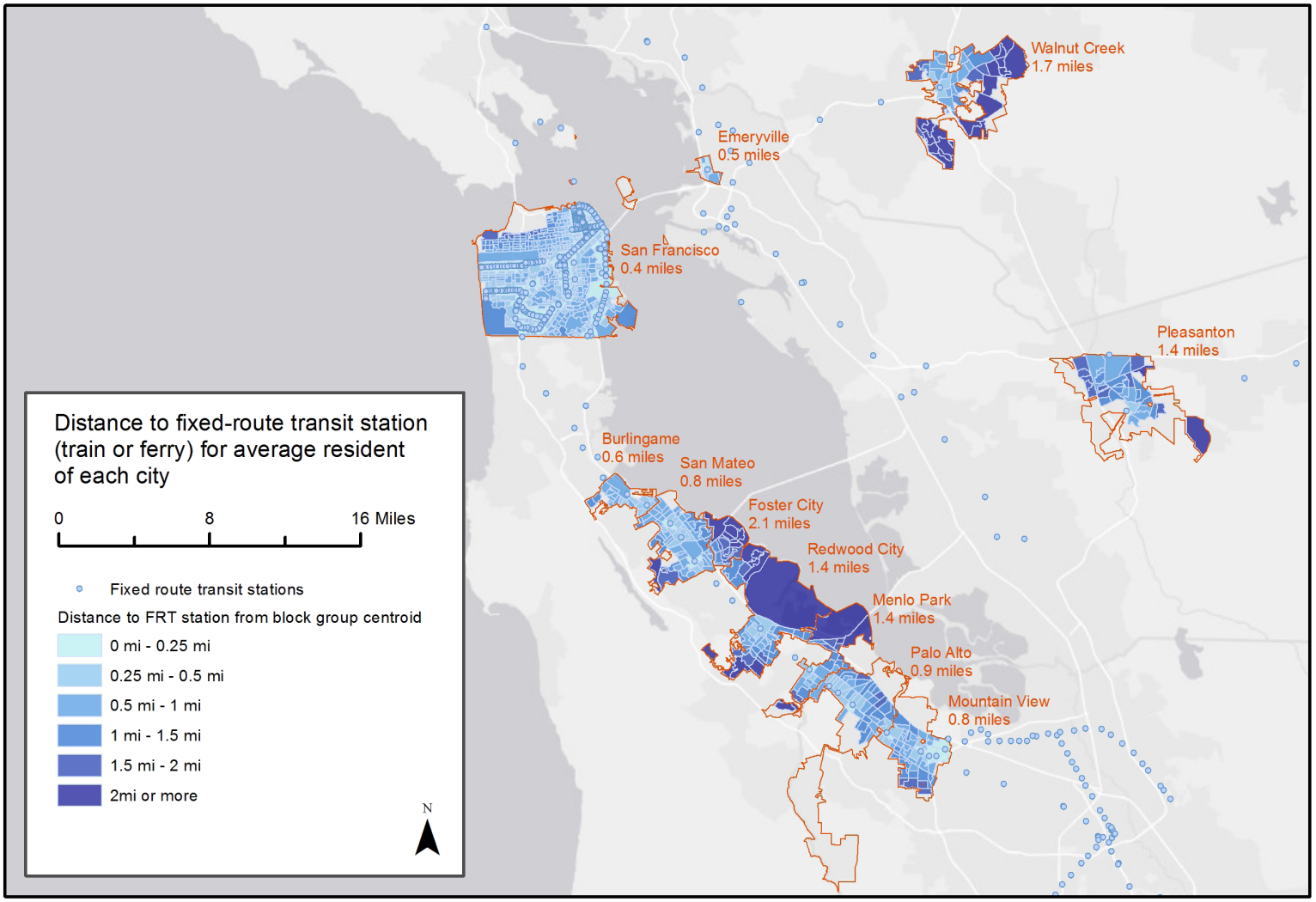

Source: United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Residence Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014.

## Map 3. Fixed Route Transit




Sources: Metropolitan Transportation Commission. Bay Area Transit Geodatabase (As of November 2008). 2008. Accessed on 11/15/2014.
United States Census Bureau. 2013 TIGER/Line Shapefiles. 2013. Accessed on 11/15/2014.

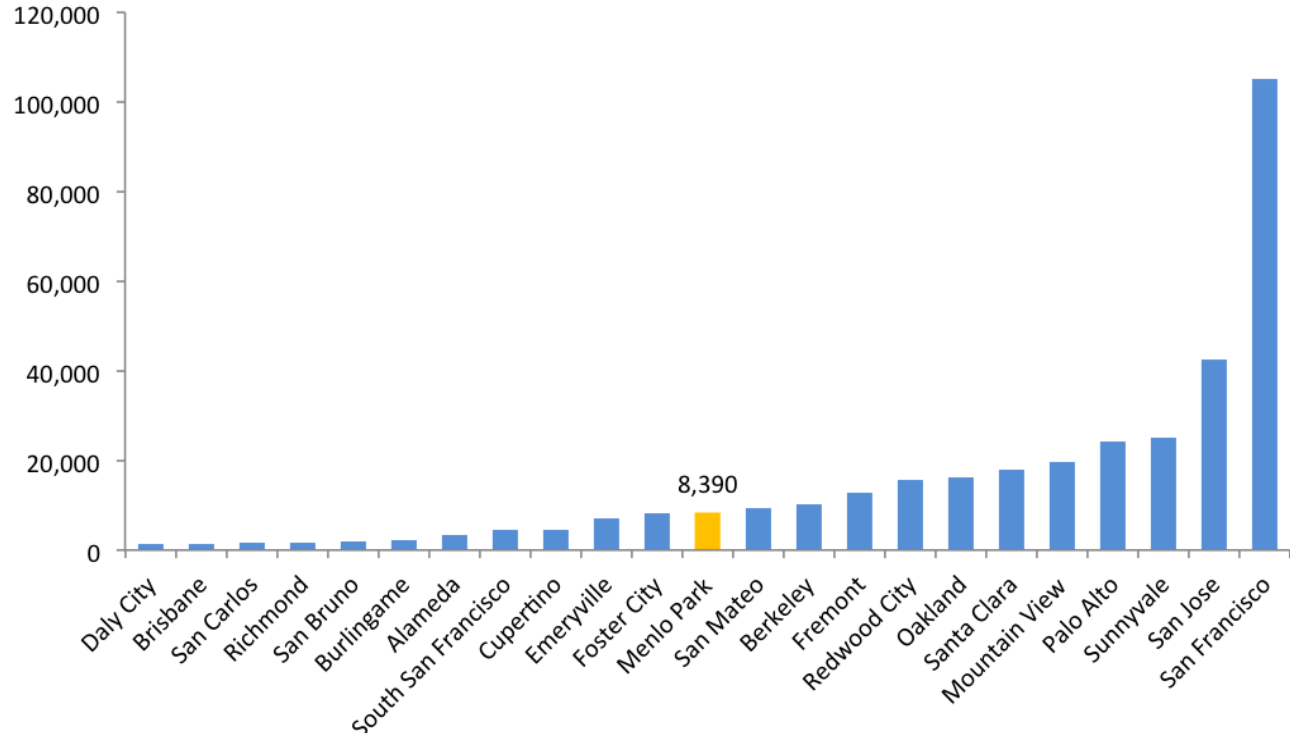
## Map 4. Average Distance to Fixed Route Transit



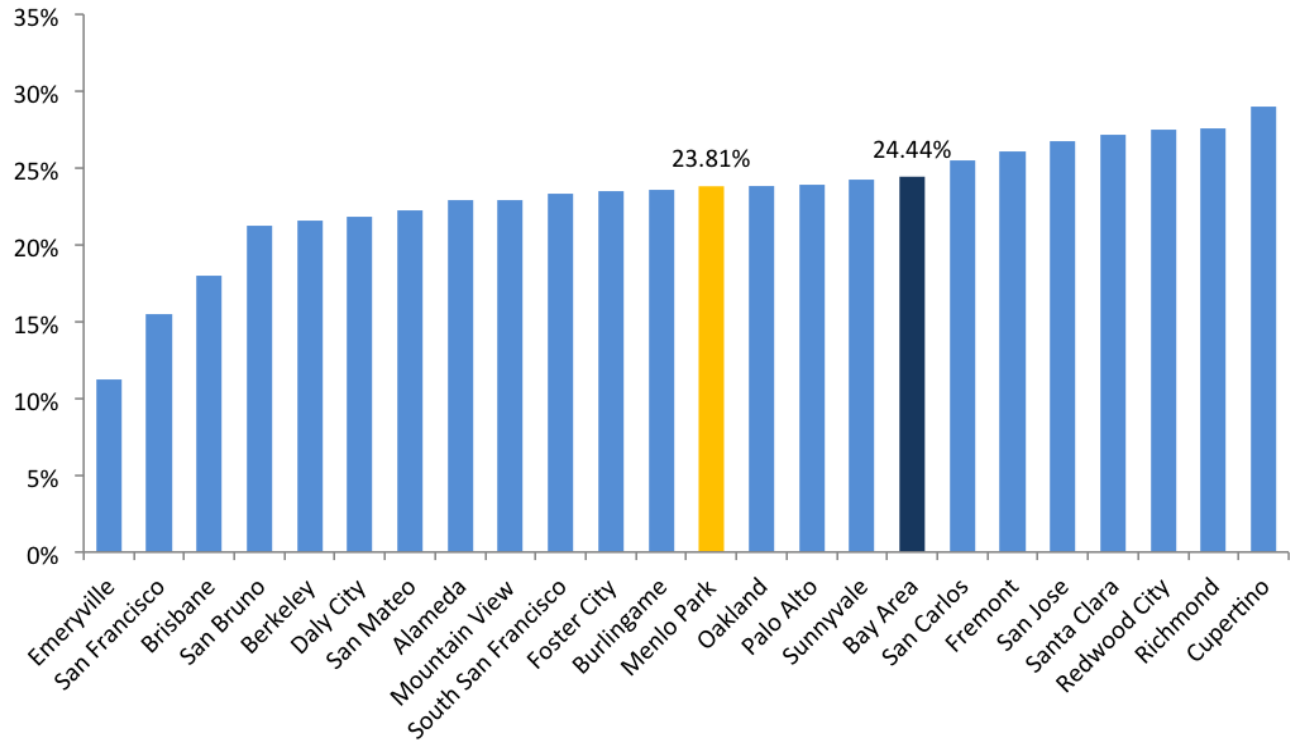

Sources: Metropolitan Transportation Commission. Bay Area Transit Geodatabase (As of November 2008). 2008. Accessed on 11/15/2014.
United States Census Bureau. 2013 TIGER/Line Shapefiles. 2013. Accessed on 11/15/2014.

## TABLES

### Table 1. Innovation-economy jobs

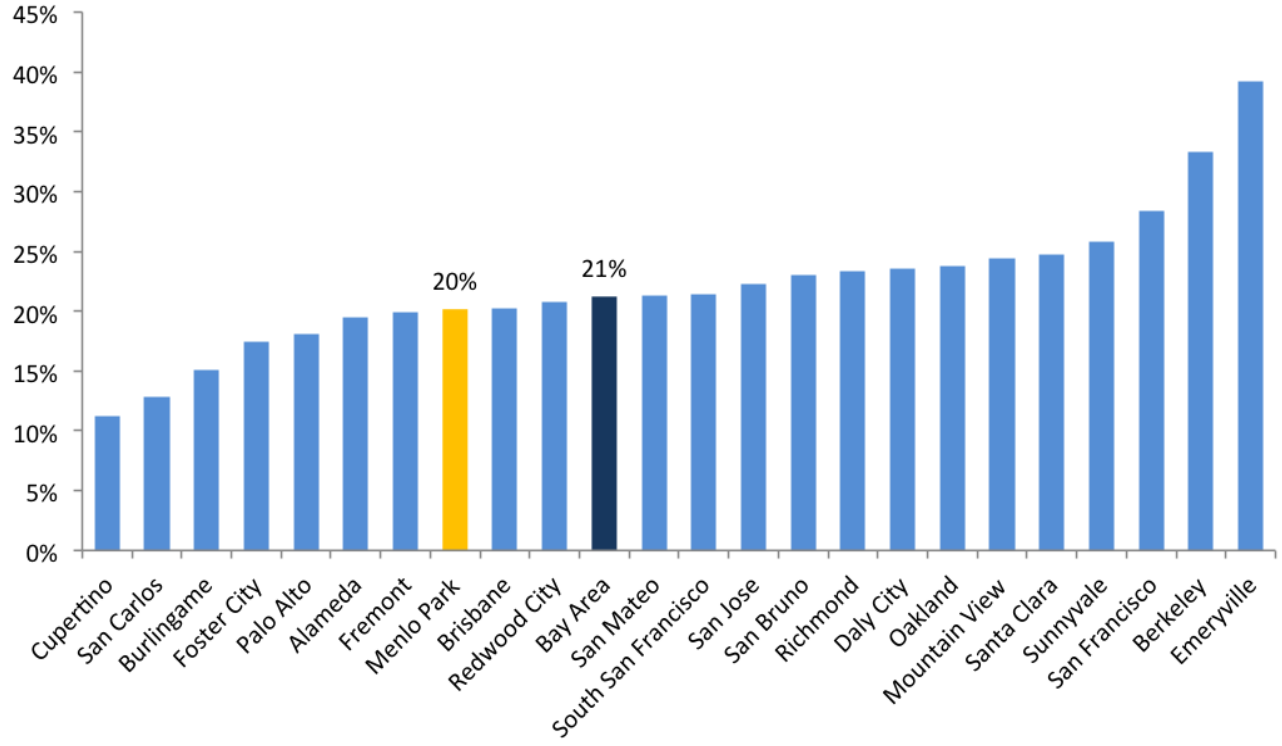



### Table 2. % residents under 20

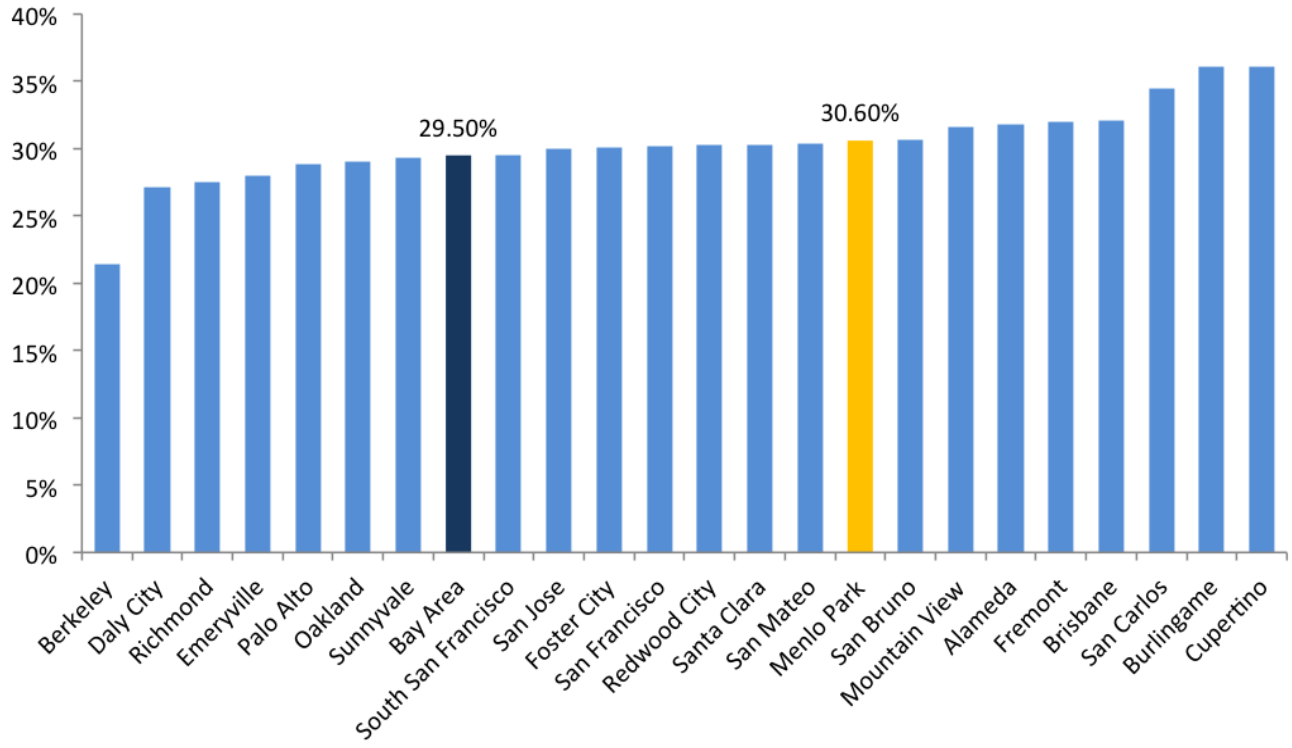



Sources: Listed on pgs 40-41.

## Table 3. % residents 20-35

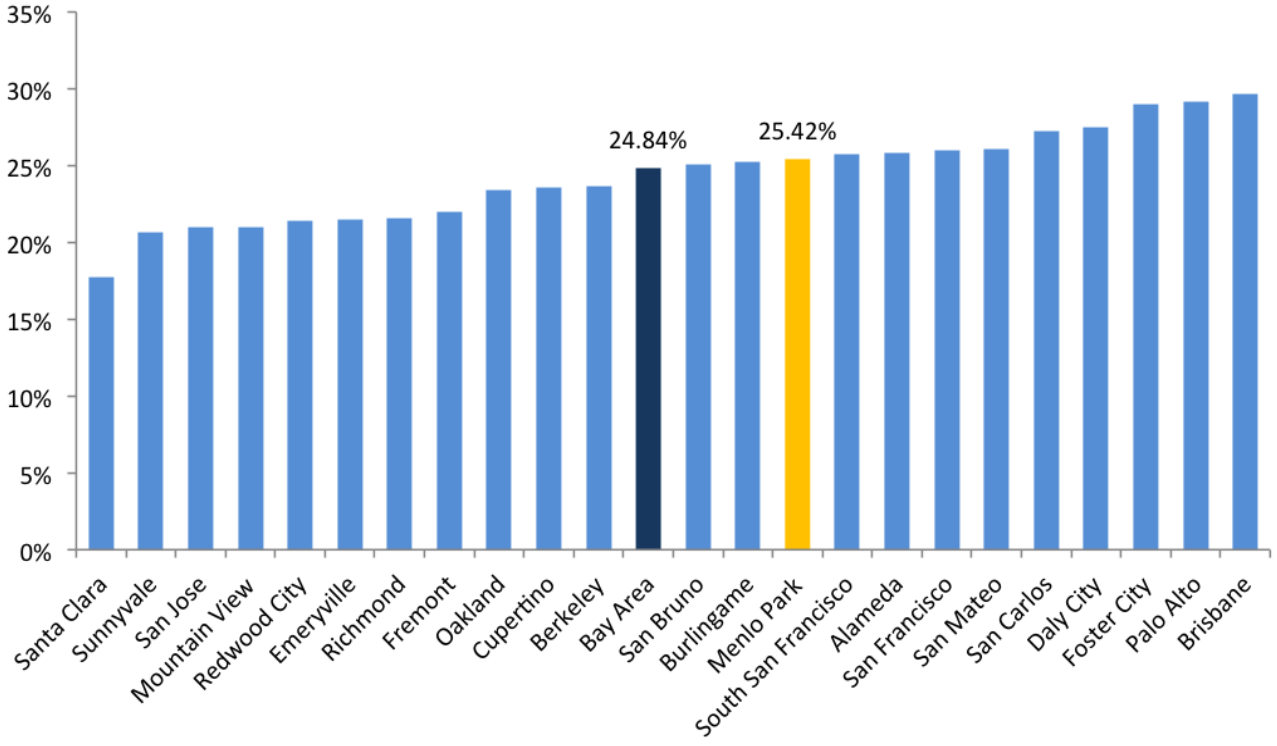



## Table 4. % residents 35-55

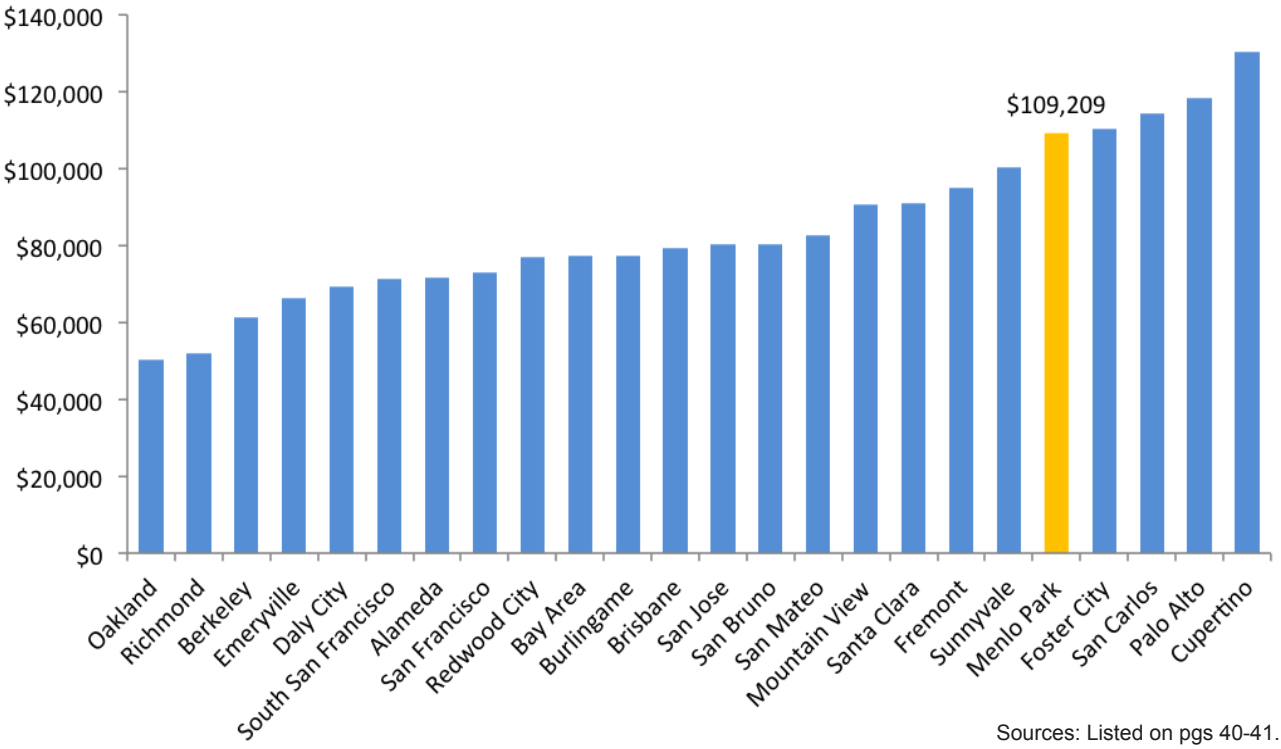



Sources: Listed on pgs 40-41.

## Table 5. % residents 55 and over

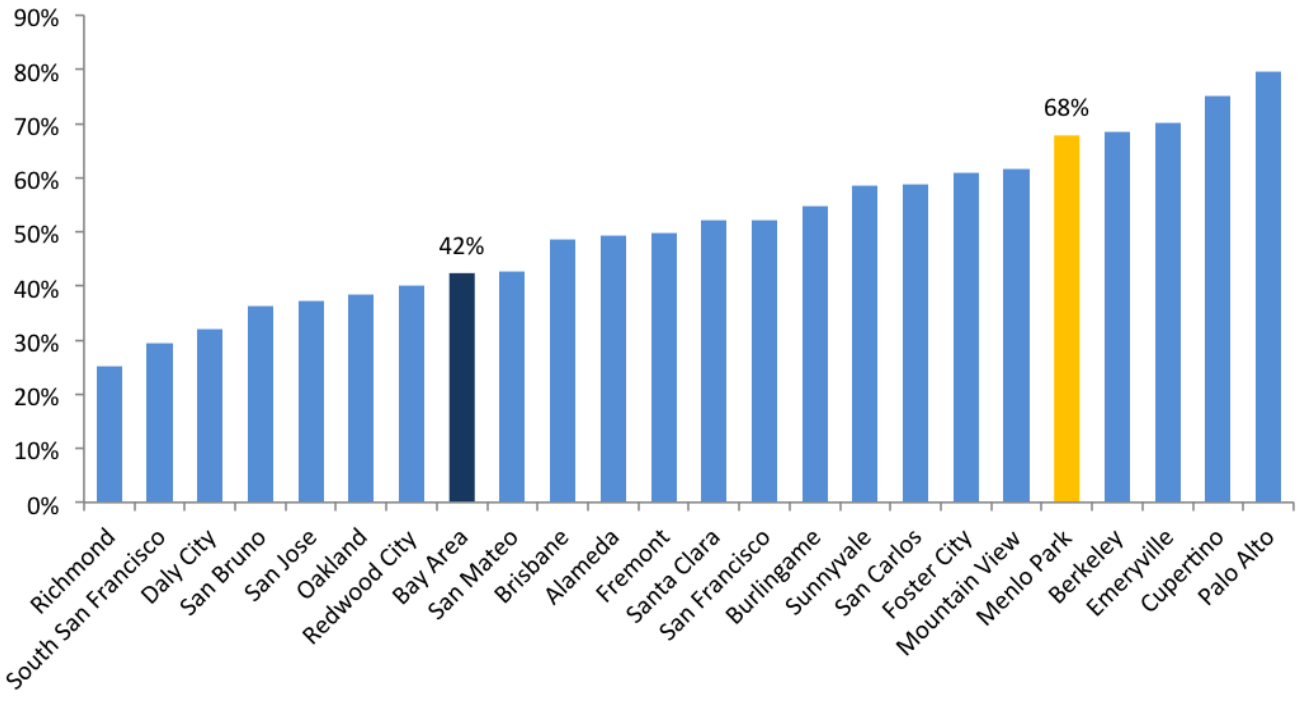



## Table 6. Median household income

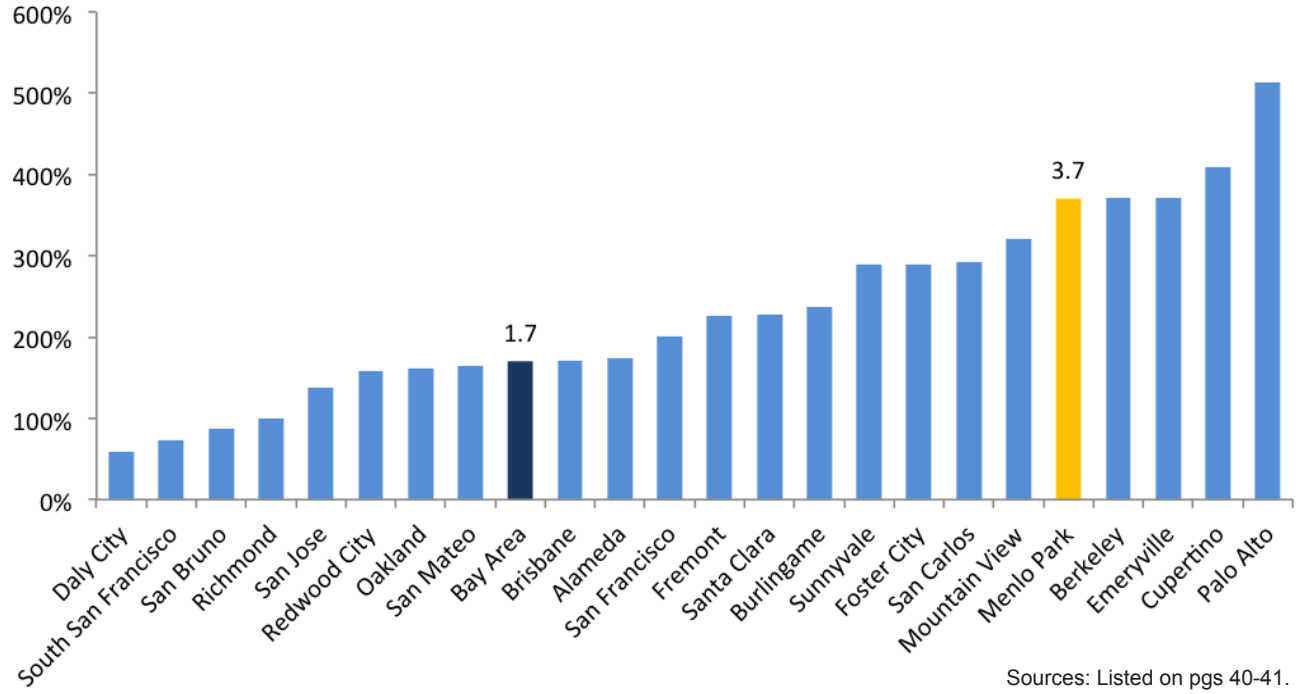



Sources: Listed on pgs 40-41.

## Table 7.
## Percent of residents that have a bachelor's degree or higher

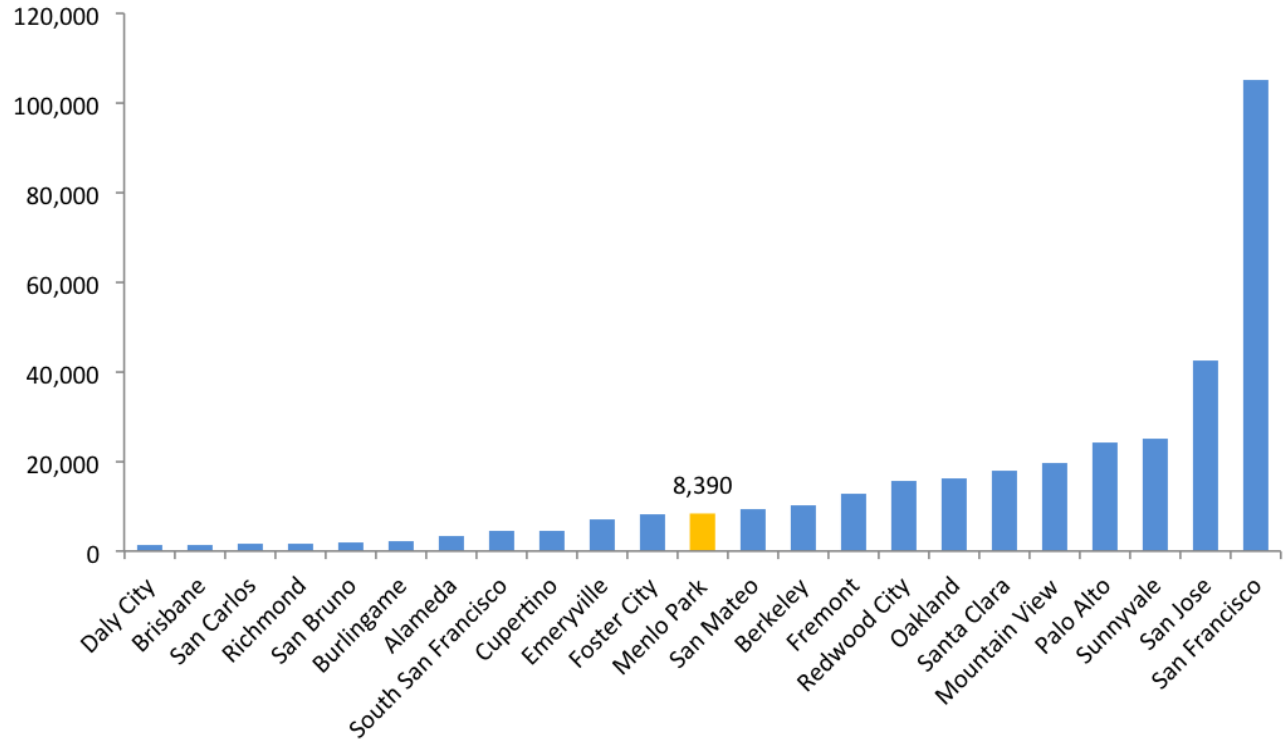



## Table 8.
## Graduate or professional degrees per 1,000 residents

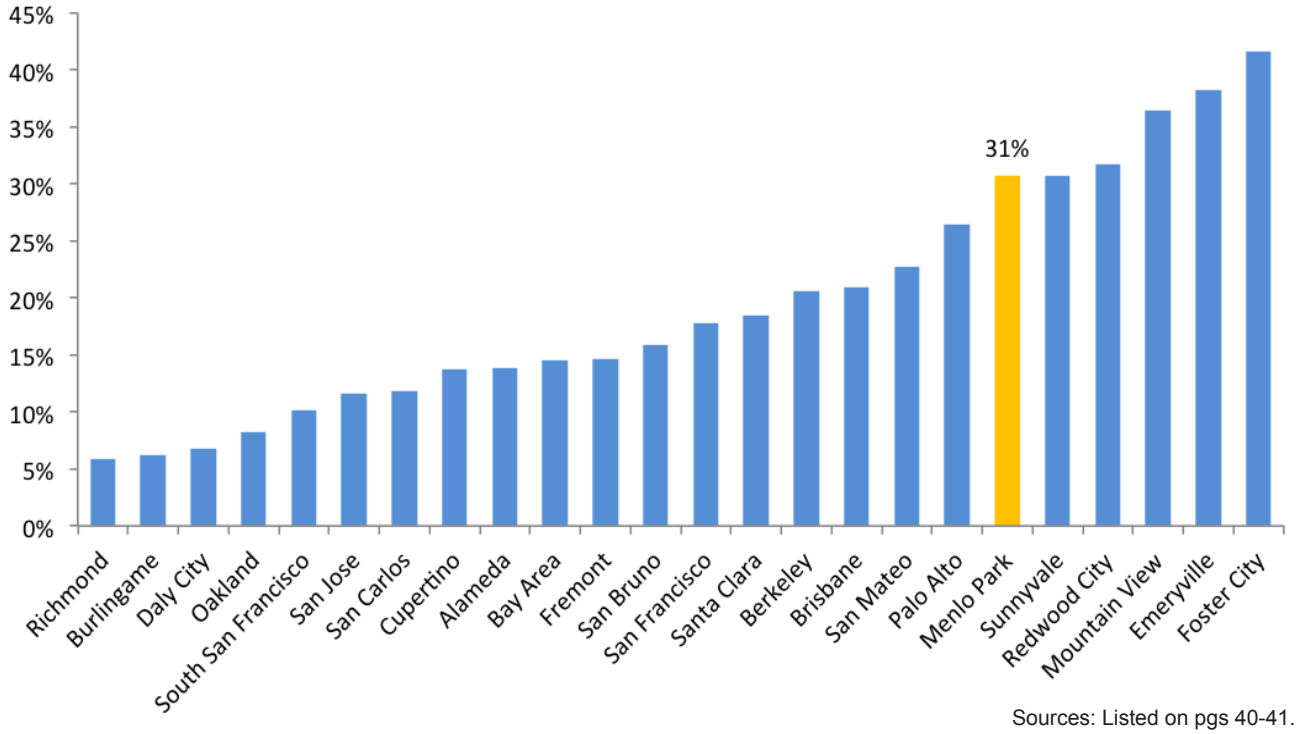



Sources: Listed on pgs 40-41.

## Table 9. Innovation-economy jobs

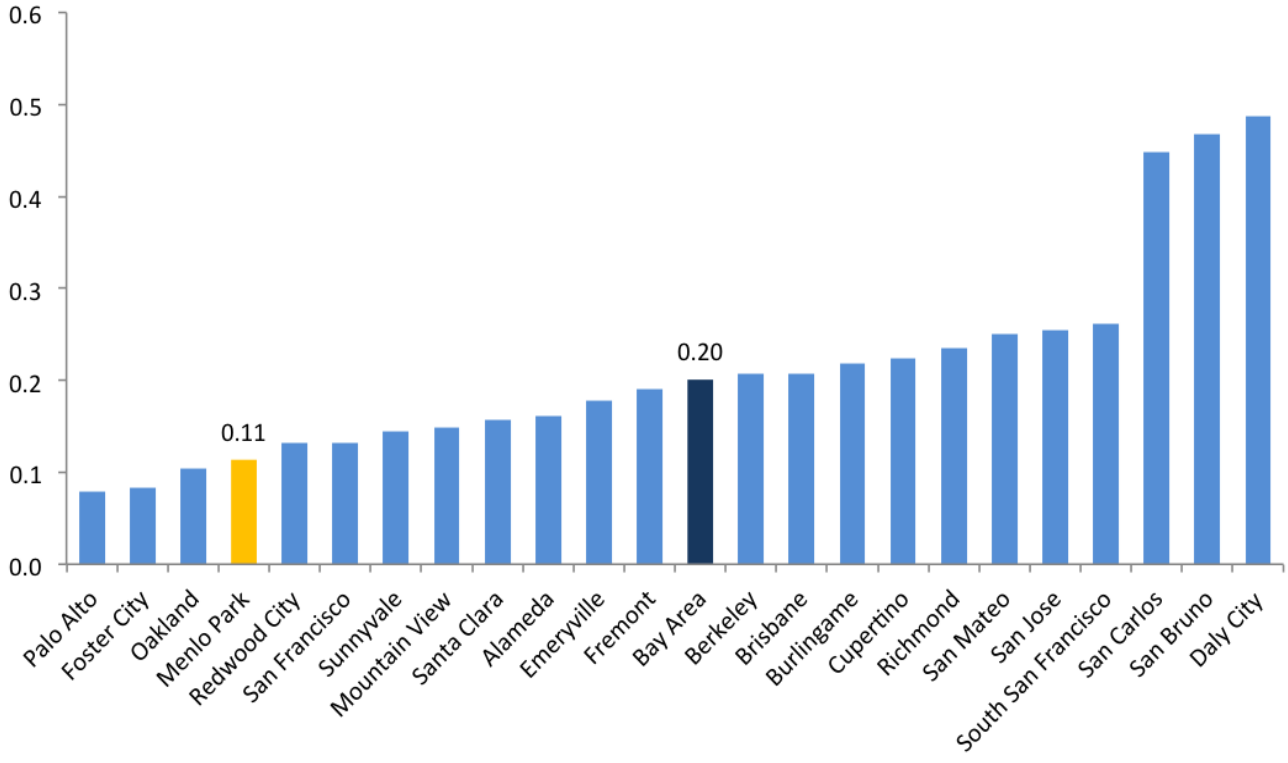



## Table 10.
## Share of employment in innovation-economy jobs

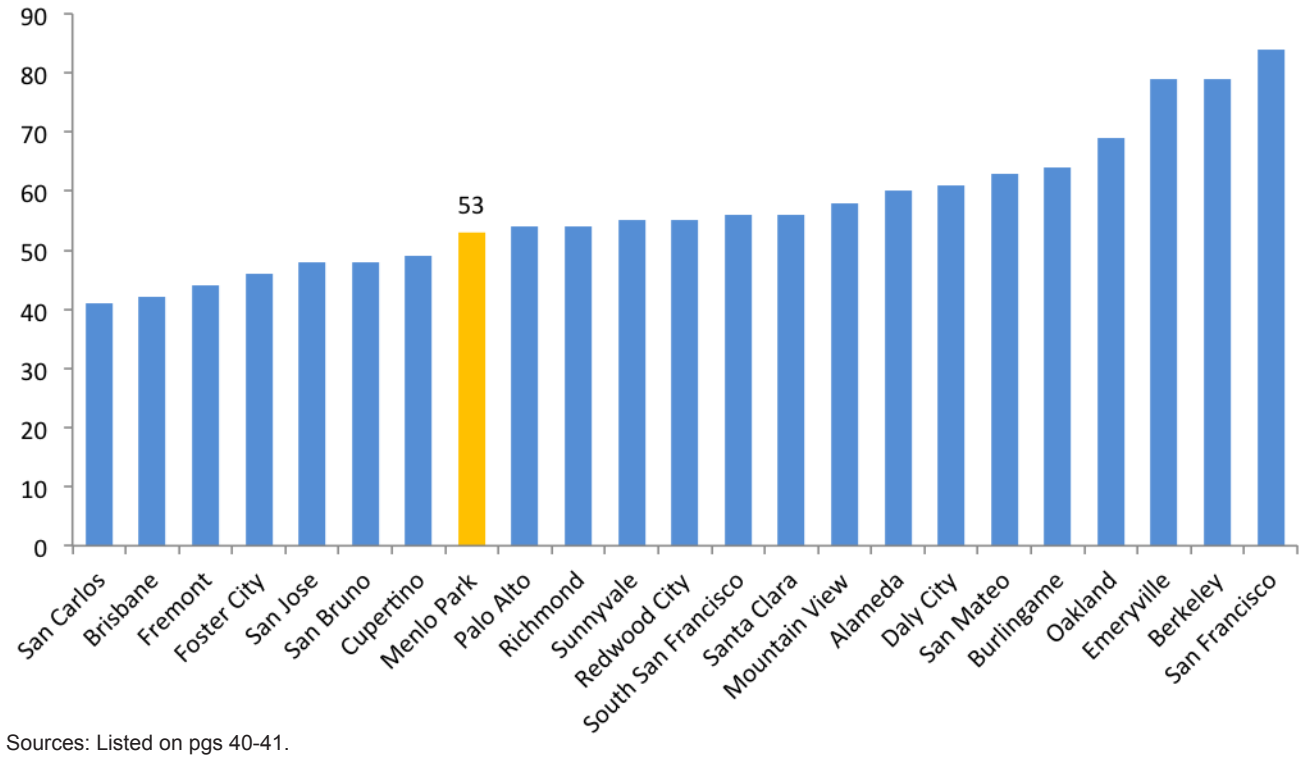



Sources: Listed on pgs 40-41.

## Table 11. Retail jobs per office job




## Table 12. Walk score




Sources: Listed on pgs 40-41.

## Table 13. Non-residential land uses in sqft.

| | Office | Industrial + R&D | Total |
|---|---|---|---|
| San Francisco | 89,213,545 | * | 89,213,545 |
| Palo Alto | 9,774,654 | 13,260,030 | 23,034,684 |
| Mountain View | 4,218,743 | 15,265,681 | 19,484,424 |
| Redwood City | 9,391,589 | 6,561,280 | 15,952,869 |
| Pleasanton | 12,724,161 | 2,738,660 | 15,462,821 |
| **Menlo Park** | **5,048,584** | **6,570,314** | **11,618,898** |
| San Mateo | 7,257,627 | ** | 7,257,627 |
| Walnut Creek | 6,441,160 | 304,664 | 6,745,824 |
| Burlingame | 1,812,627 | 4,744,432 | 6,557,059 |
| Emeryville | 4,351,436 | * | 4,351,436 |
| Foster City | 3,267,375 | ** | 3,267,375 |

* Data not provided. ** Data provided only in aggregate with other cities.

*Sources:*

*Das, Rishika. Research & Forecast Report: Oakland, California - Q3 2014 Industrial. Colliers International, 2014.*

*Kohler, Lisa, Jason Chandler, and Mark Triska. Research & Forecast Report: Pleasanton, California - Q3 2014 Office. Colliers International, 2014.*

*Proto, Erin. Research & Forecast Report: San Francisco - Q2 2014 Office. Colliers International, 2014.*

*Tran, Cindy, Mike Cobb, and Mike Davis. Research & Forecast Report: San Francisco Peninsula - Q3 2014. Colliers International, 2014.*

*Vaux, Jennifer. Research & Forecast Report: Silicon Valley - Q3 2014. Colliers International, 2014.*

*Scheve, Curt, and Derek Daniels. Research & Forecast Report: Walnut Creek / I-680 Corridor - Q3 2014 Industrial. Colliers International, 2014.*

*Erickson, Eric, and Derek Daniels. Research & Forecast Report: Walnut Creek / I-680 Corridor - Q3 2014 Office. Colliers International, 2014.*

# Table 14. Projected housing capacity

| | Estimated capacity | Development pipeline |
|---|---|---|
| San Francisco | 73,728 | 50,200 |
| Palo Alto | 3,468 | 1,837 |
| Mountain View | 2,271 | 892 |
| Redwood City | 3,243 | 1,302 |
| Pleasanton | 1,752 | 826 |
| **Menlo Park** | **3,333** | **1,347** |
| San Mateo | 1,486 | 201 |
| Walnut Creek | 1,427 | 472 |
| Burlingame | 1,402 | 472 |
| Emeryville | 4,491 | 378 |
| Foster City | 1,854 | 834 |

[1] Estimated capacity is based on current zoning and identified opportunity sites.

[2] Development pipeline includes homes that have been approved for development and those already under construction.

*Sources:*

*San Francisco Planning Department. 2014 Housing Element. San Francisco Planning Department, 2014.*

*City of Emeryville. 2015-2023 Housing Element. City of Emeryville, 2014.*

*City of Mountain View. Housing Element 2007-2014. City of Mountain View, 2009.*

*City of Pleasanton. Housing Element September 2014 Draft. City of Pleasanton, 2014.*

*City of Foster City. Housing Element: 2015 – 2023 Planning Period. City of Foster City, 2014.*

*City of Redwood City. 2015-2023 Housing Element Public Hearing Draft: September 2014. City of Redwood City, 2014.*

*City of Burlingame. 2015-2023 Housing Element Public Review Draft Revised for September 2, 2014. City of Burlingame, 2014.*

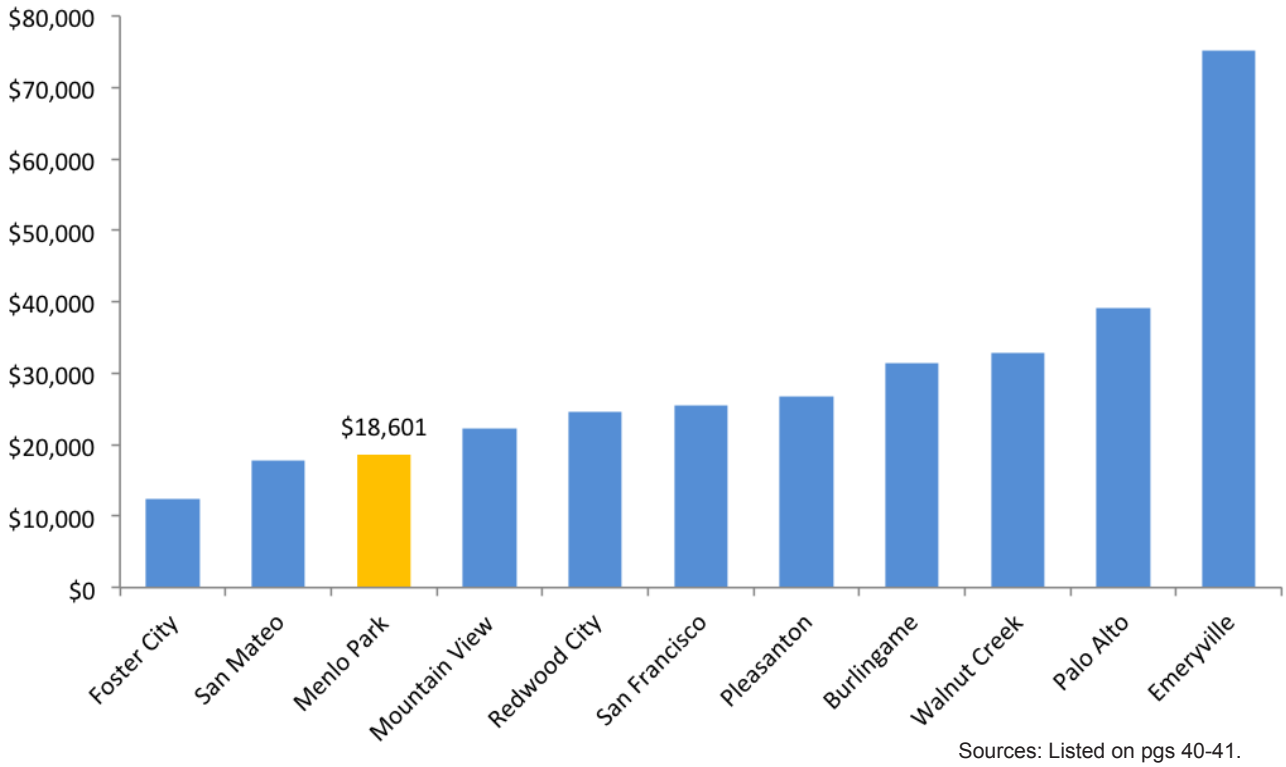
*City of Menlo Park. 2015-2023 City of Menlo Park Housing Element. City of Menlo Park, 2014.*

*City of Palo Alto. 2015-2023 Housing Element: Administrative Draft May 2014. City of Palo Alto, 2014.*

*City of San Mateo. Housing Element of the General Plan 2014. City of San Mateo, 2014.*

*City of Walnut Creek. Housing Element 2009-2014. City of Walnut Creek, 2010.*

## 15. Sales per capita




Sources: Listed on pgs 40-41.

## Table 16. Revenues per capita

| | Property tax | Sales tax | Hotel tax | Transfer tax | Total in these categories |
|---|---|---|---|---|---|
| San Francisco | $1,736 | $255 | $293 | $341 | $2,625 |
| Emeryville | $863 | $752 | $492 | * | $2,107 |
| Mountain View | $776 | $222 | $62 | * | $1,060 |
| Pleasanton | $685 | $268 | * | * | $953 |
| Foster City | $626 | $123 | $65 | $10 | $824 |
| Redwood City | $494 | $247 | $58 | $8 | $806 |
| Burlingame | $492 | $314 | $623 | $2 | $1,431 |
| **Menlo Park** | **$484** | **$186** | **$107** | * | **$777** |
| Palo Alto | $438 | $391 | $165 | $104 | $1,098 |
| San Mateo | $318 | $222 | $54 | $64 | $657 |
| Walnut Creek | $242 | $329 | $26 | * | $597 |

* Data not provided.

Sources: Comprehensive Annual Financial Reports (CAFRs) from each listed city, 2014. Complete source list can be found on pgs 40-42.

## Table 17. Tax rates and revenues

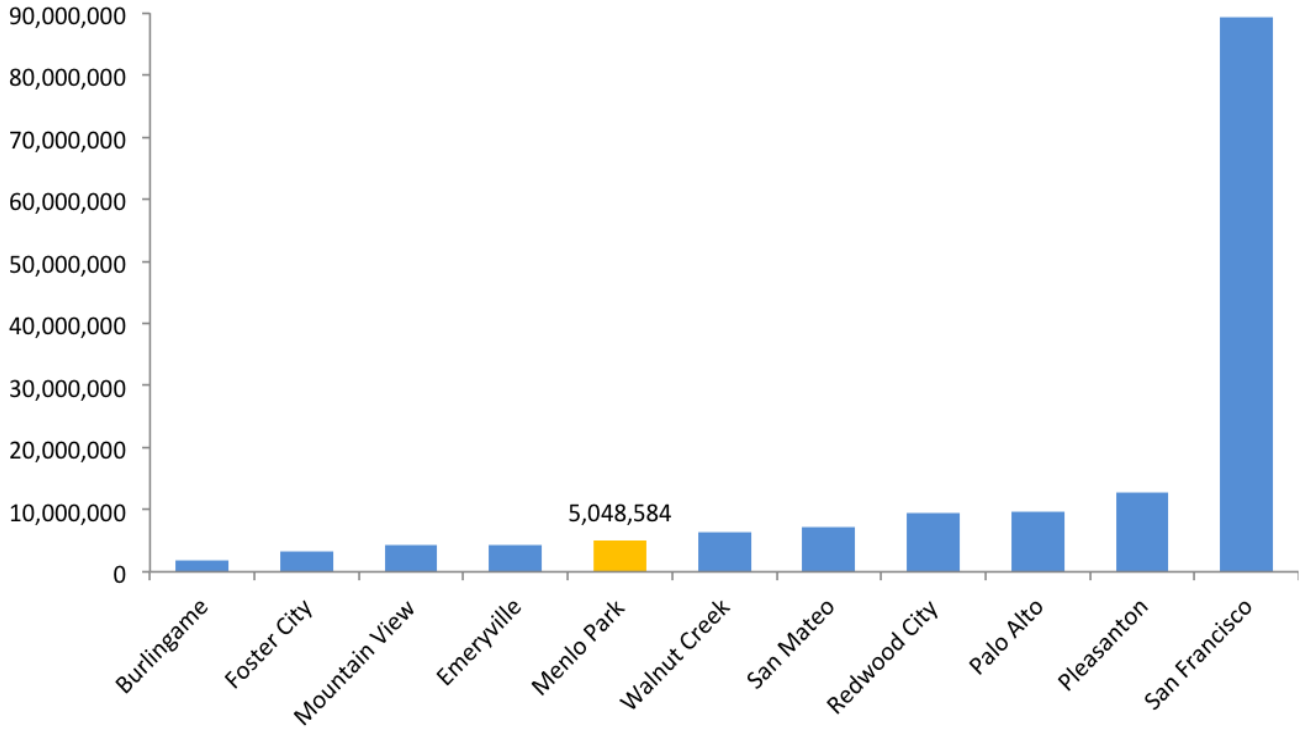
| | Property tax | | Sales tax | | Hotel tax | | Transfer tax | |
|---|---|---|---|---|---|---|---|---|
| | Rate | Revenue | Rate | Revenue | Rate | Revenue | Rate** | Revenue |
| San Francisco | * | $1,415,068,000 | 8.75% | $208,025,000 | 14.00% | $238,782,000 | $5.00 - $25.00 | $278,163,000 |
| Emeryville | * | $8,600,000 | 9.00% | $7,500,000 | 12.00% | $4,900,000 | $12.00 | |
| Mountain View | * | $58,515,000 | 8.75% | $16,744,000 | 10.00% | $4,668,000 | $4.40 | |
| Pleasanton | * | $48,900,000 | 9.00% | $19,100,000 | 8.00% | | $1.10 | |
| Foster City | * | $19,566,168 | 9.00% | $3,848,768 | 9.50% | $2,015,909 | $1.10 | $315,962 |
| Redwood City | * | $38,484,044 | 9.00% | $19,240,290 | 12.00% | $4,526,424 | $1.10 | $599,316 |
| Burlingame | * | $14,390,000 | 9.00% | $9,200,000 | 12.00% | $18,240,000 | $1.10 | $49,724 |
| **Menlo Park** | * | **$15,731,889** | **9.00%** | **$6,043,870** | **12.00%** | **$3,468,256** | **$1.10** | |
| Palo Alto | * | $28,700,000 | 8.75% | $25,600,000 | 14.00% | $10,800,000 | $4.40 | $6,800,000 |
| San Mateo | * | $31,287,521 | 9.25% | $21,821,391 | 10.00% | $5,326,759 | $6.10 | $6,307,133 |
| Walnut Creek | * | $15,700,000 | 8.50% | $21,400,000 | 8.50% | $1,700,000 | $1.10 | |

* Property tax rates vary in different neighborhoods within each city; however, property tax is broadly set at 1%, plus any voter-approved tax increases in local jurisdictions.

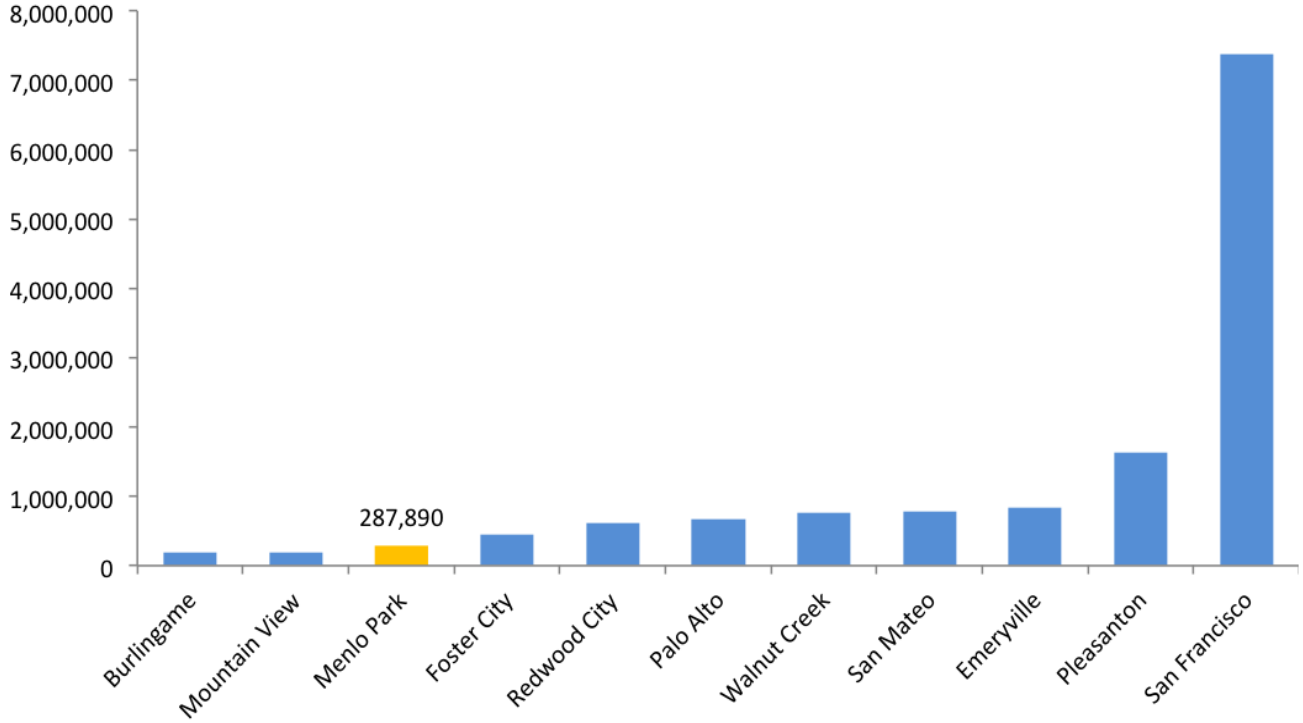
** Transfer tax rates are per $1,000 assessed value. Transfer tax revenues are shared with counties.

Sources: City and County of San Francisco Office of the Controller, City of Emeryville, City of Mountain View, City of Pleasanton, City of Redwood City, Ballotpedia (Foster City, Menlo Park, Palo Alto), City of San Mateo, CA State Board of Equalization (sales tax rates), californiacityfinance.com (transfer tax rates).

## Table 18. Net office space (square feet)

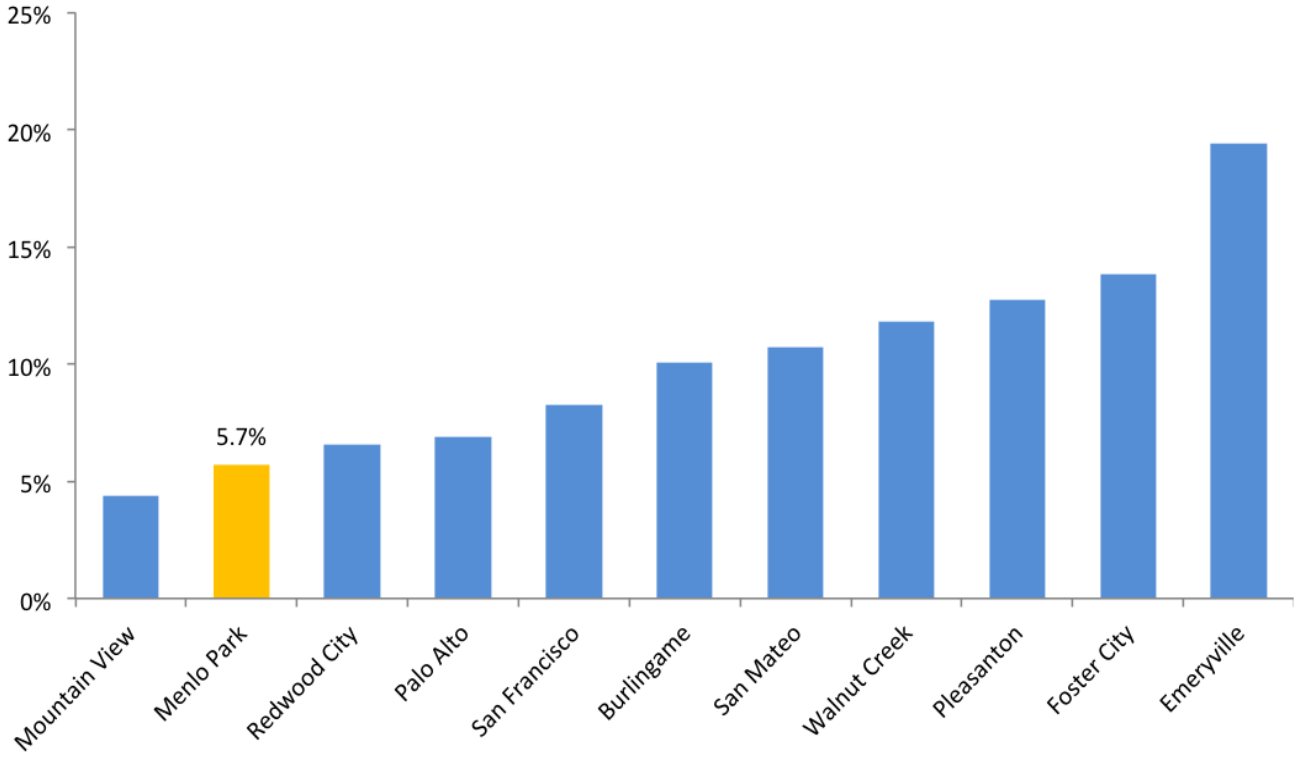



## Table 19. Vacant office space (square feet)

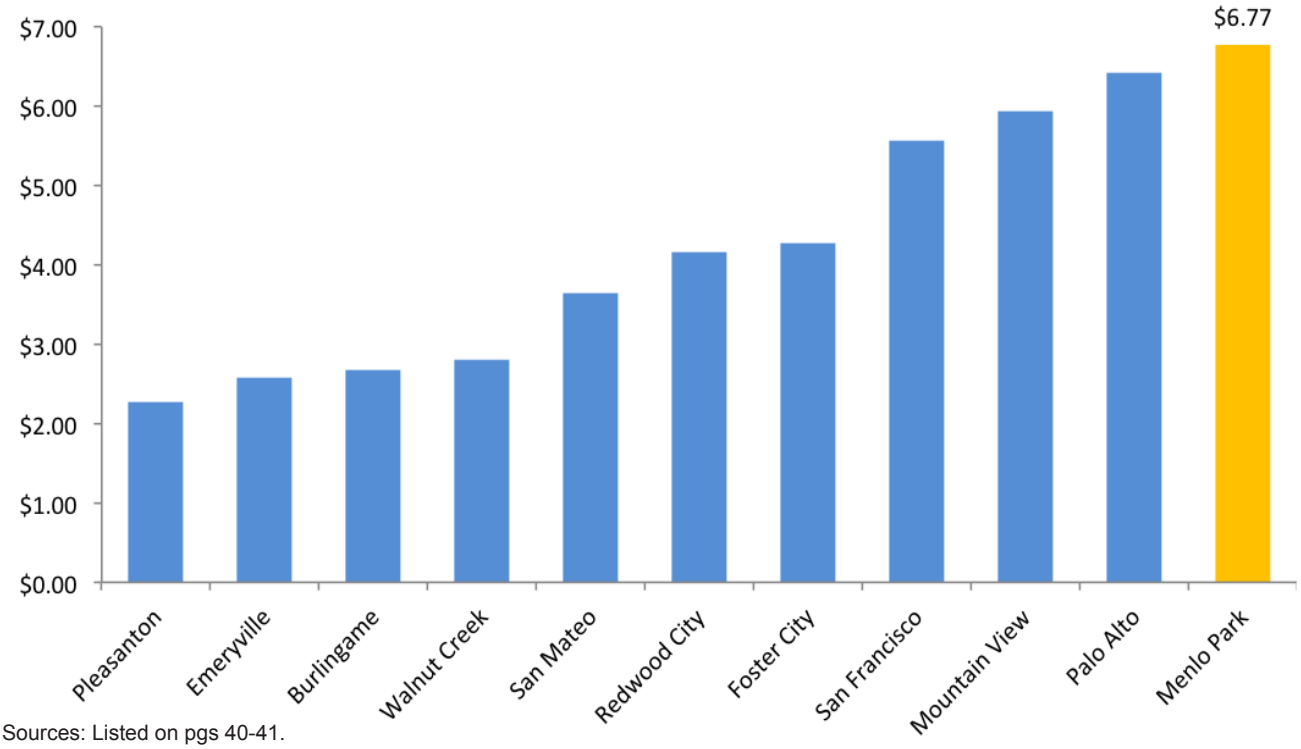



Sources: Listed on pgs 40-41.

## Table 20. Office vacancy rate




## Table 21. Average monthly office rent per sqft.




Sources: Listed on pgs 40-41.

# SOURCES

**Map 1. Where workers in Menlo Park live.** United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Residence Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014.

**Map 2. Where Menlo Park residents work.** United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Workplace Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014.

**Map 3. Fixed Route Transit.** Metropolitan Transportation Commission. Bay Area Transit Geodatabase (As of November 2008). 2008. Accessed on 11/15/2014. United States Census Bureau. 2013 TIGER/Line Shapefiles. 2013. Accessed on 11/15/2014.

**Map 4. Average Distance to Fixed Route Transit.** Metropolitan Transportation Commission. Bay Area Transit Geodatabase (As of November 2008). 2008. Accessed on 11/15/2014. United States Census Bureau. 2013 TIGER/Line Shapefiles. 2013. Accessed on 11/15/2014.

**Table 1. Innovation-economy jobs.** United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Workplace Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014. Note: "innovation-economy jobs" are defined as those in NAICS sector 51 (Information) and sector 54 (Professional, Scientific, and Technical Services).

**Table 2. % residents under 20 / Table 3. % residents 20-35 / Table 4. % residents 35-55 / Table 5. % residents 55 and over.** United States Census Bureau / American FactFinder. DP05: ACS Demographic and Housing Estimates. 2008-2012 American Community Survey 5-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2013. ---. DP05: ACS Demographic and Housing Estimates. 2010-2012 American Community Survey 3-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2013.

**Table 6. Median household income.** United States Census Bureau / American FactFinder. DP03: Selected Economic Characteristics. 2008-2012 American Community Survey 5-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2013. ---. DP03: Selected Economic Characteristics. 2010-2012 American Community Survey 3-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2013.

**Table 7. Percent of residents that have a bachelor's degree or higher / Table 8. Graduate or professional degrees per 1,000 residents**. United States Census Bureau / American FactFinder. DP02: Selected Social Characteristics in the United States. 2008-2012 American Community Survey 5-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2013. ---. DP02: Selected Social Characteristics in the United States. 2010-2012 American Community Survey 3-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2013.

**Table 9. Innovation-economy jobs.** United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Workplace Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014. Note: "innovation-economy jobs" are defined as those in NAICS sector 51 (Information) and sector 54 (Professional, Scientific, and Technical Services).

**Table 10. Share of employment in innovation-economy jobs.** United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Workplace Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014. Note: "innovation-economy jobs" are defined as those in NAICS sector 51 (Information) and sector 54 (Professional, Scientific, and Technical Services).

**Table 11. Retail jobs per office job.** United States Census Bureau / Longitudinal Employer-Household Dynamics. LEHD Origin-Destination Employment Statistics: California Workplace Area Characteristics, 2011. U.S. Census Bureau's Center for Economic Studies, 2013. Accessed on 11/15/2014. Note: "Retail jobs" are defined as those in NAICS sectors 44 and 45 (Retail Trade). "Office jobs" are defined as those in NAICS sectors 51, (Information) 52, (Finance and Insurance) 53, (Real Estate and Rental and Leasing) 54, (Professional, Scientific and Technical Services) 55, (Management of Companies and Enterprises) 61, (Educational Services) 62 (Health Care and Social Assistance) and 92 (Public Administration).

**Table 12. Walk score.** Walk Score. "Walk Score." walkscore.com. N.p., 2014. Web. Accessed on 11/15/2014.

**Table 13. Non-residential land uses in sqft**

Das, Rishika. Research & Forecast Report: Oakland, California - Q3 2014 Industrial. Colliers International, 2014.
Das, Rishika. Research & Forecast Report: Oakland, California - Q3 2014 Office. Colliers International, 2014.
Kohler, Lisa. Research & Forecast Report: Pleasanton, California - Q3 2014 Industrial. Colliers International, 2014.
Kohler, Lisa, Jason Chandler, and Mark Triska. Research & Forecast Report: Pleasanton, California - Q3 2014 Office. Colliers International, 2014.
Proto, Erin. Research & Forecast Report: San Francisco - Q2 2014 Office. Colliers International, 2014.
Tran, Cindy, Mike Cobb, and Mike Davis. Research & Forecast Report: San Francisco Peninsula - Q3 2014. Colliers International, 2014.
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Scheve, Curt, and Derek Daniels. Research & Forecast Report: Walnut Creek / I-680 Corridor - Q3 2014 Industrial. Colliers International, 2014.
Erickson, Eric, and Derek Daniels. Research & Forecast Report: Walnut Creek / I-680 Corridor - Q3 2014 Office. Colliers International, 2014.

**Table 14. Projected housing capacity**

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# 03
# ECONOMIC DEVELOPMENT GOALS

# ECONOMIC DEVELOPMENT GOALS

Situated at the center of one of the world's most dynamic innovation clusters, Menlo Park is an extraordinary beneficiary of the regional economy. A large percentage of its highly educated and affluent resident population and employee base works in the innovation sector. However, Menlo Park is failing to capture many of the potential positive benefits that the innovation sector could bring to the local economy, in the form of a more diverse range of retail, recreational and cultural services and jobs, greater public amenities and public revenue sources, a broader array of new job opportunities beyond the innovation sector - ultimately, a higher quality of life.

Through its current General Plan update, and the parallel adoption of a new Economic Development Plan, Menlo Park has a chance to design and implement new policies and actions that will strengthen its economic competitiveness, quality of life and fiscal health. To this end, the Menlo Park Economic Development Advisory Group defined the following economic development goals that build on the opportunities identified in the Comparative Economic Advantage Study.

**1. Diversify and Grow City Revenue Sources**
Because overreliance on one revenue source or tax does not produce long-term stability, Menlo Park should cultivate a diverse range of public revenue streams to ensure its long-term fiscal health. The City should be creative in how it generates new public revenue. Ways to diversify city revenue sources include capturing a greater share of the disposable income of its innovation sector workforce and residents, and/or capturing land value generated from up-zoning to support new real estate development.

**2. Make Menlo Park a Predictable Place to do Business**
The current entitlement and permitting process is burdened by outdated and restrictive ordinances that require discretionary review for most development activity. Discretionary review processes are often unpredictable, which can discourage new or growing companies and small business owners from wanting to locate or expand in Menlo Park. By reducing the uncertainty of the entitlement and permitting process, the City can create a more welcoming environment for new business and well-planned real estate development to house new or growing businesses in Menlo Park.

**3. Develop a Diverse Mix of Commercial Space to Meet the Different Needs of Start-Ups and Established Companies.**
Menlo Park should focus on the varied space needs of the innovation sector, with particular attention to the unique growth stages of these companies. Ideally, It should encourage development of incubator spaces for start-ups, mid-size office spaces into which they can grow, and large floor plate spaces for mature publicly traded companies. It should encourage a diversity of building types and a mix of uses within growth areas to allow for economic resiliency when a large company closes or moves. Focusing on the spatial needs of technology and innovation sector employers and employees now and in the future will help Menlo Park capture the benefits of the Bay Area's extraordinary regional economy.

**4. Activate Downtown**
Improving vibrancy downtown requires a plan that addresses retail offerings, the buildings that house them, and access to the area. Menlo Park's parking replacement requirements in the downtown are inadvertently limiting development that could enhance its potential as a mixed-use urban village with vibrant retail. Further, Menlo Park owns its downtown surface parking lots, which represent a tremendous opportunity for the development of parking structures to enhance access to downtown amenities. In 2012, Menlo Park enacted the El Camino Real and Downtown Specific Plan, which articulates a positive and realistic vision for

the downtown, and outlines policies needed to achieve that vision. During future biennial reviews of the Specific Plan, consider incorporating the recommendations herein to boost the economic health of Downtown Menlo Park.

**5. Activate the Area East of 101 by Leveraging Planning and Real Estate Development Opportunities**

Although the Belle Haven neighborhood lacks many resident-serving amenities, it holds some of the best economic and real estate development opportunities. Offerings such as a movie theater, supermarket, and other amenities could both improve the livability of this neighborhood and encourage residents from other neighborhoods to visit. The adjacent M2 zone in east Menlo Park is ripe for transformative development. Strategic up-zoning can generate more than just increased property taxes; it can create a whole new live, work and play neighborhood that can provide new amenities for existing Belle Haven residents, incubate new businesses, and generate funding for new public parks and plazas.

**6. Capture the Economic Potential of "Pass-Through" Traffic**

An estimated eighty percent of east Menlo Park's daily traffic is "pass-through," meaning auto trips by individuals with no planned destination in Menlo Park. By offering more reasons for these drivers to stop and spend time and money in Menlo Park, ideally through amenity-rich, pedestrian-friendly retail and entertainment clusters, the City could both increase its capture of the economic wealth of the larger region without adding significant vehicle traffic, and also enhance retail and cultural amenities for Menlo Park's residents.

**7. Enhance Cultural and Arts Offerings**

Menlo Park should actively promote arts and culture as an economic development strategy.

**8. Preserve Housing Affordability and Income Diversity Wherever Possible**

Providing access to housing that is affordable to a range of incomes is a crucial component of economically vibrant and resilient communities, especially for small restaurants and retail businesses that employ modestly paid workers.

**9. Grow "Walkable Urbanism" in a Few Strategic Locations**

Identify a small subset of locations best suited for concentrated changes in land use and urban form, such as enhanced pedestrian- and bicycle-friendly street design and more neighborhood-serving retail. Focus these physical changes in a few key areas, as it is unrealistic and undesirable for all of Menlo Park to become an amenity rich "walkable" neighborhood.

**10. Work with Neighboring Cities to Increase Transit & Cycling Options that Integrate Menlo Park into the Region**

Transit is a regional dilemma. Menlo Park cannot solve regional problems on its own. However, Menlo Park can make local, tactical improvements in cooperation with businesses like Facebook, institutions like Stanford, and with neighboring cities like Redwood City and Palo Alto, to enhance its connection to regional transit, private shuttles, car-sharing and bicycle networks.

**11. Attend to the Details**

In order for Menlo Park not to lose sight of the "small stuff" which supports overall quality of life, it must continue to focus on everyday services like maintenance and public infrastructure improvements. Unfortunately, these services often are among the first to go when City budget or staffing declines; many cities are moving the responsibility of streetscape maintenance onto abutting property owners. While a good idea in theory to call on the private sector to perform maintenance and improvements that benefit nearby property owners, developers and businesses, in reality the agreements are not always codified or funded adequately to ensure proper stewardship of the public realm.

# 04

# POLICY RECOMMENDATIONS

# SUMMARY

## GOAL 1

### DIVERSIFY AND GROW CITY REVENUE SOURCES

#### STRATEGY 1A: ENCOURAGE DOWNTOWN COMMERCIAL VIBRRANCY

**Recommendations:**

- Allow for quick, temporary activation of vacant storefronts and land
- Evaluate increased FAR for office above ground floor with no net new parking requirement
- Create a Facade Improvement Program
- Provide clear navigation assistance and clear deadlines for the commercial permitting process
- Educate commercial property owners about ways to enhance their property value
- Expand definitions and flexibility in permitted land uses for commercial zones

#### STRATEGY 1B: DIVERSIFY SOURCES OF TAX REVENUE BY CAPTURING LAND VALUE FROM NEW DEVELOPMENT IN UP-ZONED AREAS

**Recommendations:**

- Evaluate the use of a Targeted Transfer Tax in areas receiving significant up-zoning for new development.
- Evaluate the use of Negotiated Benefit Covenants in areas receiving significant up-zoning for new development
- Evaluate the use of Negotiated Community Facilities Districts (CFDs) to fund ongoing public services in areas receiving significant up-zoning for new development
- Evaluate Transient Occupancy Tax (TOT) rebates to encourage hotel development projects
- Evaluate the use of Parking Revenue Bonds
- Evaluate the use of “Public Development Rights” FAR trading market

## GOAL 2

### MAKE MENLO PARK A PREDICTABLE PLACE TO DO BUSINESS

#### STRATEGY 2A: REDUCE THE UNCERTAINTY OF THE DEVELOPMENT APPROVAL PROCESS

**Recommendations:**

- Reduce the discretionary and ad-hoc nature of how public benefits are determined for major development projects
- Publish a standard methodology for valuing public benefits and how the methodology is applied to new development.

#### STRATEGY 2B: LEVERAGE TECHNOLOGY TO ENHANCE TRANSPARENCY IN CITY PROCESSES FOR BUSINESSES AND RESIDENTS

**Recommendations:**

- Create a one-stop permit application and tracking system
- Publish data on the City’s permit application process —set benchmarks
- Continue to improve Menlo Park website to be simpler and more interactive for residents, small businesses, and developers.

## GOAL 3

### DEVELOP A DIVERSE MIX OF COMMERCIAL SPACE TO MEET THE DIFFERENT NEEDS OF START-UPS AND ESTABLISHED COMPANIES

#### STRATEGY 3A: ENCOURAGE THE DEVELOPMENT OF NEW COMMERCIAL SPACE AT A RANGE OF SCALES

#### STRATEGY 3B: DESIGN LAND USE FLEXIBILITY AND ADAPTABILITY INTO ZONING DISTRICTS AND THE PLANNING CODE

#### STRATEGY 3C: INCENTIVIZE THE DEVELOPMENT OF NEW TECH INCUBATOR SPACES

## GOAL 4

### ACTIVATE DOWNTOWN

#### STRATEGY 4A: INCENTIVIZE NEW DEVELOPMENT ON UNDER-UTILIZED PARCELS, ESPECIALLY ON SURFACE PARKING LOTS AND SINGLE-STORY COMMERCIAL STRUCTURES

**Recommendations:**

- Relax on-site parking requirements for new development in areas well-served by transit and bicycle infrastructure
- Shift zoning toward form-based codes with minimal land use, density or FAR restrictions

#### STRATEGY 4B: ENCOURAGE TRANSIT, WALKING AND BICYCLING

**Recommendations:**

- Continue to use transportation demand management measures to increase the share of trips by walking and bicycling.
- Partner with an established regional bike sharing organization to bring bike sharing facilities to the downtown, the Caltrain station, and other key destinations throughout the City.
- Provide specific financial incentives to encourage private car sharing services to locate pods downtown

#### STRATEGY 4C: TURN EXISTING PARKING CHALLENGES INTO ECONOMIC DEVELOPMENT OPPORTUNITIES

**Recommendations:**

- Price public parking (through smart meters or other distributed systems) to encourage higher turnover during shopping hours and to discourage employees from parking in customer parking areas.
- Replace city-owned surface parking lots with a new public parking structure, freeing up city-owned land for new infill development, whether through public-private partnerships or RFPs.
- Create a downtown parking benefit district (PBD). Invest PBD-generated revenues toward pedestrian and bicycle safety enhancements.

#### STRATEGY 4D: EVALUATE OPPORTUNITIES FOR CITY PURCHASE OF UNDERUTILIZED LAND DOWNTOWN

**Recommendations:**

- Identify key “catalyst” sites that are currently a hindrance to the successful development of a walkable and vibrant downtown. Consider acquiring these sites to develop into mixed-use retail and incubator office space via public-private partnerships.

## GOAL 5

### ACTIVATE THE AREA EAST OF 101 BY LEVERAGING PLANNING AND REAL ESTATE DEVELOPMENT OPPORTUNITIES

#### STRATEGY 5A: CREATE A PUBLIC MARKET IN NEW FAR GENERATED FROM LAND RECEIVING SIGNIFICANT UP-ZONING

**Recommendations:**

- Implement a "Public Development Rights" (PDR) market for net new FAR generated from significant up-zoning of property in the East Side. Use proceeds from the sale of PDR to fund the build out of high-quality public infrastructure in the same up-zoned areas, creating a "virtuous cycle" of higher property values and new investment.

#### STRATEGY 5B: COLLABORATE WITH FACEBOOK TO ATTRACT NEW INVESTMENT, TO PROMOTE A WALKABLE NEIGHBORHOOD AND TO "BRAND" THE EAST SIDE AS A CENTER OF INNOVATION

**Recommendations:**

- Promote the growth of walkable urbanism in the public- and privately-owned land adjacent to the Facebook Campus
- Leverage the positive Facebook brand to attract other new businesses and development opportunities to the area.

#### STRATEGY 5C: DEVELOP DUMBARTON RAIL CORRIDOR INCREMENTALLY, IN STEPS THAT FACILITATE RATHER THAN PRECLUDE LATER UPGRADES

Phase I: Dumbarton Bicycle Trail

Phase II: Dumbarton BRT Spur

Phase III: Dumbarton Fixed Rail

## GOAL 6

### CAPTURE THE ECONOMIC POTENTIAL OF "PASS-THROUGH" TRAFFIC

#### STRATEGY 6A: ACTIVATE MENLO PARK CALTRAIN STATION

**Recommendations:**

- Engage a marketing consultant to develop a station area marketing campaign to celebrate/ highlight existing businesses and amenities near the station.
- Identify key businesses and amenities that are missing and actively recruit them to "complete" the station area.

#### STRATEGY 6B: CAPTURE EXISTING "PRIMARY SERVICE AREA" POPULATIONS FOR MENLO PARK'S MAJOR DESTINATIONS

Downtown / Caltrain Station

Jefferson Drive Area / Future Marsh Road Station

Willow Road Area / Future Willow Road Station

#### STRATEGY 6C:ENCOURAGE AMENITY-RICH MIXED-USE DESTINATIONS OFF HIGHWAYS 101 AND 84 IN M-2 ZONE

**Recommendations:**

- Work closely with local development teams to ensure the Willow and Jefferson areas respectively become successful new mixed-use destinations, consistent with the goals of the

General Plan update.

## GOAL 7

### ENHANCE CULTURAL AND ARTS OFFERINGS

#### STRATEGY 7A: INCREASE LAND USE FLEXIBILITY TO ALLOW FOR INNOVATIVE USES

**Recommendations:**

- Expand the number of principally permitted uses allowed in mixed-use and commercial zones
- Allow non-sales-based uses in downtown zoning code.

#### STRATEGY 7B: STREAMLINE PERMITTING AND/OR REDUCE FEES FOR STREET EVENTS.

**Recommendation:**

- Explore ways to reduce 60-day advance permit application time

#### STRATEGY 7C: INCENTIVIZE STREET ACTIVATION AND "POP-UP" ARTISANAL RETAIL IN UNDERUTILIZED COMMERCIAL SPACES

**Recommendations:**

- Develop a system of matching grants to leverage private and non-profit sector investment in street festivals or longer-term "pop-up" retail or art galleries in underutilized spaces in the downtown or other commercial clusters.
- Draft standard "interim arts use" and "pop-up" lease templates to reduce barriers to entry
- Establish a Citywide database of underutilized ground floor commercial buildings for future activation.
- Study legal feasibility of providing property tax rebates for landlords who lease to incubator of artist/"maker" spaces.

## GOAL 8

### PRESERVE HOUSING AFFORDABILITY AND INCOME DIVERSITY WHEREVER POSSIBLE

**Recommendations:**

- Allow taller buildings and relax parking requirements so that homes can be built more cost effectively
- Allow micro-apartments and/or co-living projects that cost less to build than conventional apartments.
- Incentivize renovation of existing multi-family housing stock.

## GOAL 9

### GROW "WALKABLE URBANISM" IN A FEW STRATEGIC LOCATIONS

**Recommendations:**

- Encourage development in the Willow and Jefferson areas of the M-2 zone
- Allow more housing to be built near transit, focusing especially on the M-2 District
- Design the intersection of the public and private realms for pedestrians at a pedestrian scale
- Expand allowable land uses
- Experiment with low-cost, quickly-implemented, and grassroots adjustments to the public realm
- Require parking to be placed behind buildings,

on side streets, or in structures

- Reduce parking requirements for new development and requre transportation demand management (TDM) measures in larger projects
- Establish an In-Lieu Parking Program
- Price parking strategically to support more efficient use of under-utilized facilities, and sufficient vacancy to allow drivers to park without circling.
- Install quality sidewalks, crossings, bulb-outs and lighting
- Encourage existing businessees to integrate into surrounding urban street grids

## GOAL 10

### WORK WITH NEIGHBORING CITIES TO INCREASE TRANSIT & CYCLING OPTIONS THAT INTEGRATE MENLO PARK INTO THE REGION

#### STRATEGY 10A: INCREMENTALLY DEVELOP DUMBARTON RAIL CORRIDOR INTO A MULTI-MODAL CONNECTOR BETWEEN THE EAST SIDE AND THE DOWNTOWN REDWOOD CITY CALTRAIN STATION

#### STRATEGY 10B: ESTABLISH PARTNERSHIPS WITH REGIONAL TRANSPORTATION SHARING PROGRAMS

**Recommendations:**

- Identify and partner with a provider with a successful regional network of bike-sharing pods to bring these services to Menlo Park.
- Identify and partner with a provider with a successful regional network of scooter-sharing pods to bring these services to Menlo Park
- Identify and partner with a provider with a successful regional network of car-sharing pods to bring these services to Menlo Park

#### STRATEGY 10C: EXPAND EXISTING PUBLIC SHUTTLE SERVICE CONNECTING MAJOR MENLO PARK DESTINATIONS

#### STRATEGY 10D: CONSIDER OPENING THE CITY'S AUTOMOBILE FLEET TO CAR-SHARING DURING NON-PEAK HOURS

**Recommendations:**

- Municipal Carsharing

#### STRATEGY 10E: CREATE A "ONE-STOP-SHOP" ALTERNATIVE TRANSPORTATION ONLINE PLATFORM

**Recommendations:**

- Consider developing a "GoMenlo" type sub-website and/or app to educate and connect residents and employees to the full range of transportation alternatives within and beyond Menlo Park.

## GOAL 11

### ATTEND TO THE DETAILS

#### STRATEGY 11A: LEVERAGE TECHNOLOGY TO ENGAGE COMMUNITY IN WAYS TO IMPROVE CITY SERVICES

**Recommendations:**

- Establish and publish "baseline" city service standards and associated budgets on website.
- Open source city data to allow private development and adoption of civic apps

- Crowd-source ideas or vendors to provide City services or issue permits more efficiently

### STRATEGY 11B: LEVERAGE PUBLIC-PRIVATE PARTNERSHIPS TO SUPPLEMENT OR IMPROVE CITY SERVICES

**Recommendations:**

- Incentivize the establishment of new non-profit, neighborhood-based assessment and stewardship entities to supplement existing City maintenance & operations

# POLICY RECOMMENDATIONS

## GOAL 1

### DIVERSIFY AND GROW CITY REVENUE SOURCES

Because overreliance on one revenue source or tax does not produce long-term stability, Menlo Park should cultivate a diverse range of public revenue streams to ensure its long-term fiscal health. The City should be creative in how it generates new public revenue. Ways to diversify city revenue sources include capturing a greater share of the disposable income of its innovation sector workforce and residents, or by capturing land value generated from up-zoning to support new real estate development.

#### STRATEGY 1A: ENCOURAGE DOWNTOWN COMMERCIAL VIBRRANCY

A balanced mix of economically healthy retail, restaurant and services in the downtown core will increase sales tax revenue to the City. A vibrant downtown will also better leverage the disposable income and multiplier effect of the local innovation sector workforce.

#### Recommendation: Allow for quick, temporary activation of vacant storefronts and land

"Pop-ups," or short-term commercial uses, are effective tools with which to generate energy and interest in a downtown area, as well as to generate revenue for property owners and thus cities. Pop-up businesses typically occupy vacant retail spaces for three to twelve months, and pay a reduced rent with minimal tenant improvements allowed. Pop-up businesses are often local and "start-up" in nature, either run by new or experienced business owners who live in the area, or by existing businesses seeking to test new market concepts. A pop-up can be a "win-win-win" for landlord, business, and city: the landlord gains a modest income stream where there had been none prior, the pop-up business owner has a chance to vet a business concept with low overhead, and the city receives modest sales tax revenue in addition to increased interest and activity in the commercial core, which can in turn attract more business and thus more revenue.

Cities are only recently beginning to recognize the value of such temporary activation strategies, and often zoning codes lag far behind the market trends. When the range of permitted uses in a commercial zone are limited and inflexible, creative land uses that otherwise could stimulate a city's economic vitality are stymied. While these uses are still possible without specific mechanisms, interested business owners and landlords may be discouraged by a cumbersome approval process, Only a handful of cities have established specific "pop-up" retail ordinances, but with the surge in pop-up businesses around the country, codifying these innovative uses will be important to enhancing economic vitality especially in stagnating downtowns and on vacant or underutilized land. The City of Austin, Texas created a Pop-Up Retail Ordinance that Menlo Park could use as a model, both for existing retail spaces downtown and for new retail spaces in the M-2 and Belle Haven areas. In New York City, a Vacant Lot Temporary Activation Program has encouraged temporary uses on undeveloped land; Menlo Park could adopt a similar program in the M-2 zone.

**Case Study:** Austin TX Pop-Up Retail Ordinance – Non-prescriptive allowance of temporary uses up to 3 months.(Begun 2011)[1]

**Case Study:** New York City Vacant Lot Temporary Activation program - Made 15 city-owned lots

1 http://www.austintexas.gov/content/november-3-2011-austin-city-council-regular-meeting

available for temporary activation, 6-12 months. Selected programs eligible for incentives & assistance programs: tax reductions/financing, discounts on utility costs, etc. Begun 2013.[2]

## Recommendation: Evaluate increased FAR for office above ground floor with no net new parking requirement

Relax parking and Floor Area Ratio (FAR) restrictions on above ground floor office uses in commercial areas like Downtown and the El Camino Real corridor, to attract small companies with significant Caltrain ridership (young, tech, startup). Office workers downtown drive demand for coffee, lunch, après-work food, entertainment, shopping, and fitness related commercial uses. Incentivizing small, dense office uses may help increase both business and sales tax revenues. Complement a reduction in parking requirements with rideshare incentives outlined in Goal 4.

## Recommendation: Create a Facade Improvement Program

Encourage commercial property owners to reinvest in their buildings to attract more vibrant commercial tenants. Allocate small City matching grants to help property owners repaint, remove old awnings, replace signage, etc.

**Case Studies:** Mountain View, San Diego Façade Improvement Programs. Build Public can furnish more details on these and other programs as desired.

**Case Study:** Downtown Los Altos – Passerelle Investment Company has been successful at investing in modest building façade improvements for high aesthetic yield. At the First and State Retail Building, removing awnings and repainting in vibrant modern colors has dramatically modernized the character of this 1980s-architecture building. (Fig. 1)

## Recommendation: Provide clear navigation assistance and clear deadlines for the commercial permitting process

Encouraging the growth of locally-owned businesses is a widely supported concept in cities today but is quite challenging to implement. For prospective small business owners who may or may not have experience running a business, a typical city's forms, permits and approvals from numerous departments can be overwhelming. In order to promote the type of commercial economic growth Menlo Park desires, namely unique local businesses that both lend character to a downtown and help recirculate local dollars, the City's Economic Development Department should explore the development of a clear online business development portal in which new business owners are led through the city's processes, from business licenses to tenant improvement construction permits to signage permits

Figure 1: 359 State Street & 379 State Street, before and after façade improvement.


2 http://www.nycedc.com/sites/default/files/files/rfp/qa-documents/Info Session Deck_FINAL.pdf

and opening day special event permits. One such product worth exploring is OpenCounter, which may be explored in the upcoming IT Master Plan.

**Case Study:** San Francisco Business Portal – online information clearinghouse with clean interface for existing and prospective businesses, begun November 2014.[3]

### Recommendation: Educate commercial property owners about ways to enhance their property value

Consider hosting free workshops through the Office of Economic Development describing value and examples of a hands-on landlord approach, tenant curation, facade improvement (low cost, high yield), etc.

**Case Study:** Passerelle Investment Company's "Landlord 2.0" Program (Los Altos) – a Build Public representative could speak to Downtown Menlo Park property owners about prior experience with implementing progressive landlord policies – zero waste program, foot traffic data, employee parking permits required by lease, etc - if of interest.

### Recommendation: Expand definitions and flexibility in permitted land uses for commercial zones

See strategy 7A below

## STRATEGY 1B: DIVERSIFY SOURCES OF TAX REVENUE BY CAPTURING LAND VALUE FROM NEW DEVELOPMENT IN UP-ZONED AREAS

Menlo Park should seek to diversify its sources of revenue beyond conventional modes such as sales tax revenue, development fees, etc. Layering various income streams of differing magnitudes can help build capacity for important public benefit projects, from transit to neighborhood greening and open space to pedestrian-oriented developments and streetscapes. The methods by which public benefits are determined should continue to be developed in the ongoing General Plan update. The following recommendations outline long term funding mechanisms that can support ongoing maintenance and operations of public amenities or infrastructure, beyond one-time capital improvement funds.

### Recommendation: Evaluate the use of a Targeted Transfer Tax in areas receiving significant up-zoning for new development

The City of Menlo Park's transfer tax rate is currently $0.55 per $1,000 of property value. In the M-2 zone, evaluate an innovative application of a "Targeted Transfer Tax" in which all or a portion of the proceeds from property sales in that area fund public benefit improvements in that same area. An advantage is that the fees generated would not be limited to capital improvements; they could be used for ongoing maintenance of public amenities or infrastructure.

### Recommendation: Evaluate the use of Negotiated Benefit Covenants in areas receiving significant up-zoning for new development

As a variation on the transfer tax concept, consider negotiating public benefit covenants recorded on property deeds during the Development Agreement process. In this scenario, as a property changes hands the new owner would be required to contribute a public benefit fee to the City. Again, the fees generated would not be limited to capital improvements; they could be used for ongoing maintenance of public amenities or infrastructure.

3 http://businessportal.sfgov.org/

**Case Study:** BART "Transit Benefit Fee Covenant"

In 2005 West Dublin/Pleasanton BART placed a benefit fee covenant on the purchase and sale of 3.65 acres to a residential developer.[4] The covenant stipulated that BART would receive sale price participation equal to 50% above a pre-specified price per unit. In 2011 the Benefit Fee was modified, beginning with 1% of gross operating revenues for the first year and increased to 2% by the 16th year.[5]

## Recommendation: Evaluate the use of Negotiated Community Facilities Districts (CFDs) to fund ongoing public services in areas receiving significant up-zoning for new development

In lieu of paying a one-time up front fee for public benefit (e.g. a Public Development Rights model, see Strategy 5A), Menlo Park could allow a developer to instead create a CFD, also known as a Mello Roos District, and amortize payments into a public benefit fund over time. A fiscal analysis would need to be conducted by the developer to prove that annual payments over a specified period would be equal to or greater than the value of a lump sum payment at the outset. This strategy may be more applicable for large scale development projects, or projects in which the developer feels he/she may be able to amass support from neighboring property owners. However, the intent behind the above three recommendations is to identify ways to create enduring funding mechanisms that can support ongoing maintenance and operations of public amenities or infrastructure, beyond just capital improvements.

**Case Study:** Mission Bay Maintenance Community Facilities District (CFD), San Francisco

The Mission Bay Maintenance District (CFD No. 5) was established in 1999 and authorizes up to $20 million in annual assessments, "to pay for the costs of operation, maintenance, and repair of open space parcels in the District."[6] As of FY 2009-2010, this Maintenance District CFD's required tax was $1.8 million. It is complemented by a capital improvements CFD, the Mission Bay South CFD (CFD No. 6). This second district was established in 2000 and authorizes up to $200 million to be issued in bonds for infrastructure and other public capital improvements in the area.[7]

## Recommendation: Evaluate Transient Occupancy Tax (TOT) rebates to encourage hotel development projects

The Specific Plan recently listed hotel use as a permitted use along El Camino Real and in the downtown, where it had not previously been listed as a use. Listing hotels as a permitted use has also streamlined the review process. Further possibilities to explore include:

- Re-evaluate current 12% TOT rate.
- Encourage hotel land uses through permit streamlining, zoning incentives.
- Identify preferred hotel development areas, create a map and list of development incentives, and distribute a Menlo Park "pitch deck" to attract prospective hotel entities. A pitch deck is a marketing presentation used in real estate and finance that clearly and attractively outlines the advantages of investing or developing in a certain area, i.e. Menlo Park.

**Case Studies:** City of Palm Springs TOT Incentive Ordinance, City of La Quinta TOT rebate for Silver

4 Keyser Marston, November 2014. Memorandum to Pleasant Hill BART Station Leasing Authority: Block C Condominium Feasibility Analysis, p11. http://ca-contracostacounty2.civicplus.com/DocumentCenter/View/34410.

5 BART Board of Directors, July 14, 2011. Board of Directors Meeting Minutes, p4. https://www.bart.gov/sites/default/files/docs/minutes/07-14-11%2520regular%2520Minutes.pdf.

6 http://www.caltaxfoundation.org/category/san-francisco/

7 Economic & Planning Systems, Inc. UCSF EIR Chapter 7: Mission Bay San Francisco Redevelopment Agency And Community Facilities District Analysis. http://eir.ucsf.edu/pdf/eir/ucsf_eir_7_district_analysis.pdf

Rock Public Golf Course development, City of Anaheim Hotel Economic Development Assistance Program.

### Recommendation: Evaluate the use of Parking Revenue Bonds

To finance new public infrastructure in either the M-2 or downtown areas, consider parking revenue bonds in which future parking structure revenue can help offset the cost of the structure's construction.

### Recommendation: Evaluate the use of "Public Development Rights" FAR trading market

Before intensifying land use in currently underutilized areas such as the M-2 zone, Menlo Park should ensure that land value recapture mechanisms are built into the revised zoning code for these areas. This will help ensure that as development capitalizes on this increase in land value, a portion of that increment is held for the preservation and enhancement of the public realm or "the commons." This strategy is discussed in further detail below under Goal 5.

## GOAL 2

## MAKE MENLO PARK A PREDICTABLE PLACE TO DO BUSINESS

The current entitlement and permitting process is burdened by outdated and restrictive ordinances that require discretionary review for most development activity. Discretionary review processes are often unpredictable, which can discourage new or growing companies and small business owners from wanting to locate or expand in Menlo Park. By reducing the uncertainty of the entitlement and permitting process, the City can create a more welcoming environment for new business and well-planned real estate development to house new or growing businesses in Menlo Park.

### STRATEGY 2A: REDUCE THE UNCERTAINTY OF THE DEVELOPMENT APPROVAL PROCESS

A city relies on its development partners to realize the visions and goals it lays out in its zoning code and development regulations. Ultimately, without private sector investment, a city would stagnate, unable to attract housing, jobs, and commercial uses that make a city function. Prospective developers who face multiple permits and discretionary approvals are less likely to invest, and may choose to work in another city offering a clearer and simpler development process.

### Recommendation: Reduce the discretionary and ad-hoc nature of how public benefits are determined for major development projects.

Consider engaging in a comprehensive review of Menlo Park's permit requirements and approval processes for new and redevelopment projects both large and small. In cities of all scales, from Boston and Los Angeles to Vacaville, CA, local governments are working to consolidate permits and regulations, eliminate outdated codes, and generally streamline the entitlement process in order to promote economic development.

**Case Study:** Permit Streamlining in Boston MA. Mayoral commitment to, "make permitting a more clear, easy, and predictable process,"[8] saw a 21% increase in permits issues, 6-day reduction in permit turnaround time, 33% increase in on-time review, 3-month reduction in appeal date scheduling. Hosted permit streamlining Hackathon, implemented PermitFinder.[9]

8 http://www.cityofboston.gov/permits/).

9 http://permits.boston.gov

### Recommendation: Publish a standard methodology for valuing public benefits and how the methodology is applied to new development.

Transparency and consistency in process are key to establishing trust between a city and its citizens and businesses. As Menlo Park establishes its public benefit valuation policies as part of the ongoing General Plan update, it should clearly outline the methods and process by which public benefit is quantified.

## STRATEGY 2B: LEVERAGE TECHNOLOGY TO ENHANCE TRANSPARENCY IN CITY PROCESSES FOR BUSINESSES AND RESIDENTS

Governments at all scales, and cities in particular, face the challenge of keeping up with the fast-paced and ever-evolving ways in which technology revolutionizes how we communicate with one another. Being the most local governance authority for a population, city governments theoretically should have the most direct and close communication channels with their residents and businesses. However, too often a city's processes and communication tools - websites, meeting notifications, notification processes and more - are cumbersome and difficult to navigate. As the sophistication and clarity of user interfaces for personal devices, apps, and other web-based platforms grows, so does the disparity between this 21st century technology and clunky city web interfaces. This can discourage both community engagement and developer interest and can lead to a perceived sense of civic apathy and development stagnation, when in fact it may simply be that communication efforts could be improved.

(See TED Talk by Dave Meslin: The Antidote to Apathy, 7 min)[10]

10 http://www.ted.com/talks/dave_meslin_the_antidote_to_apathy/transcript?language=en

### Recommendation: Create a one-stop permit application and tracking system

In order to attract new businesses to invest in Menlo Park, the City must offer clear, transparent, and reliable approval processes and communication platforms. Consider partnering with online permitting services to develop a centralized web-based system through which permit seekers are guided through the city's approval process.[11]

**Case Study:** OpenCounter online permitting system in City of Santa Cruz.[12]

### Recommendation: Publish data on the City's permit application process —set benchmarks

Transparency and consistency in process are key to establishing trust between a city and its citizens and businesses. The more Menlo Park can provide real-time status updates on permit applications and processing time, the more confident businesses and developers will feel about investing in Menlo Park as they navigate the permitting process. Menlo Park should continue its efforts to select and publish benchmarks as part of the budget.

### Recommendation: Continue to improve Menlo Park website to be simpler and more interactive for residents, small businesses, and developers.

Building on the recent upgrade to the City's website, Menlo Park could continue to simplify its menu options to improve the customer service experience.

**Case Studies:** PlanLafayette (Lafayette, LA) , Lancaster (PA), Nashville (TN), Grand Rapids (MI), Oakville (Ontario, Canada), Chattanooga (TN)

11 https://opencounter.us/, https://www.accela.com/platform

12 http://www.codeforamerica.org/apps/open-counter/

## GOAL 3

### DEVELOP A DIVERSE MIX OF COMMERCIAL SPACE TO MEET THE DIFFERENT NEEDS OF START-UPS AND ESTABLISHED COMPANIES

Menlo Park should focus on the varied office needs of the innovation sector, with particular attention to the unique growth stages of these companies. Ideally, Menlo Park should provide incubator spaces for start-ups, mid-size office spaces into which they can grow, and large floor plate spaces for publicly traded companies. It should encourage a diversity of building types and a mix of uses within growth areas to allow for economic resiliency when a large company closes or moves. Focusing on the spatial needs of technology and innovation sector employers and employees now and in the future will help Menlo Park capture the benefits of the Bay Area's extraordinary regional economy.

#### STRATEGY 3A: ENCOURAGE THE DEVELOPMENT OF NEW COMMERCIAL SPACE AT A RANGE OF SCALES

In the M-2 zone in particular, implement land use policies that promote development at a mix of scales to accommodate a wide variety of users that can evolve over time, and discourage large single-use districts. For example, small, flexible incubator office spaces should be complemented with mid-size office space nearby into which successful start-ups can grow. Large floor plate Class-A office should also be integrated into the same general area, since many successful publicly traded companies rely on an ecosystem of smaller providers, and co-locating both reduces transportation costs and enhances communication efficacy. The South of Market Area (SoMa) in San Francisco can serve as a precedent: once primarily light industrial uses, SoMa is now one of the most desirable office locations for technology and innovation sector companies. This conversion has occurred relatively quickly, facilitated by flexible building types, a primarily mixed-use environment with office above ground floor retail or restaurant, and proximity to multiple forms of transit – bus, BART, and a robust bicycle network.

**Case Study:** East SOMA Area Plan, San Francisco - Flexible zoning allows mix of land uses that can evolve over time.[13]

#### STRATEGY 3B: DESIGN LAND USE FLEXIBILITY AND ADAPTABILITY INTO ZONING DISTRICTS AND THE PLANNING CODE

As described in Strategies 1A and 7A, zoning codes need to be adapted to allow more flexibility in permitted land uses, now and into the future. Pop-ups, art galleries, community spaces and flex-use spaces that vary by time of day often do not fit within conventional zoning models. In order to unlock the economic development potential of these innovative uses, Menlo Park should increase the flexibility in zoning and land uses rather than adhere to a prescriptive and separation-of-land-uses approach. See also Palo Alto's exploration of flexible zoning codes: Flexibility vs. Certainty Discussion Paper, Dyett & Bhatia, 2001.[14]

**Case Study:** Lafayette, LA – PlanLafayette website.[15] Clear straightforward website, simple fact sheets describing programs and codes. Lafayette is moving to a Unified Development Code integrating zoning, subdivision, and land use regulations into a single document.

#### STRATEGY 3C: INCENTIVIZE THE DEVELOPMENT OF NEW TECH INCUBATOR SPACES

The M-2 zone is a prime candidate for flexible

13 http://www.sf-planning.org/ftp/General_Plan/East_SoMa.htm

14 http://www.cityofpaloalto.org/news/displaynews.asp?NewsID=872&TargetID=239

15 http://planlafayette.com/

tech innovation and research and development (R&D) spaces. Many models exist to which Menlo Park can look, from a top-down approach such as Fremont's planned Innovation District, to a more market-driven approach such as Boston's Innovation District. Establishing an area within the M-2 as an "innovation district" with relaxed zoning restrictions, streamlined permitting, and/or other incentives could entice innovative new businesses to locate in Menlo Park rather than in a neighboring Silicon Valley community.

**Case Study:** Warm Springs Innovation District, Fremont[16]

**Case Study:** Boston Innovation District[17]

- 1,000 acres in South Boston waterfront, created in 2010
- An "urban environment that fosters innovation, collaboration, and entrepreneurship"
- 250' height limit
- Since 2010 - 5000 new jobs added, 200 companies, 30% is in tech, 21% creative, 16% science tech[18]
- 40% in co-working/shared incubator spaces
- 25% have <10 employees
- Public-private partnership to create District Hall innovation space – "public innovation center… space for networking, events, working alone or with others, even pop-up shops"
- Considering "innovation housing" – co-living
- Lessons learned
    - Design is important – must be attractive, user-friendly urban space
- No financial incentives for businesses to locate there, succeeds through high demand
- But rents rising – as of Jan 2014 avg $52/sf-yr ($4.33/sf-mo)[19]
- No specific sector targeted/incentivized – allowed market to determine

16 See CEAS Case Study Appendix, page 21

17 http://www.innovationdistrict.org/

18 http://www.aia.org/aiaucmp/groups/aia/documents/pdf/aiab100106.pdf

# GOAL 4

## ACTIVATE DOWNTOWN

Improving vibrancy downtown requires a plan that addresses retail offerings, the buildings that house them, and access to the area. Menlo Park's parking replacement requirements in the downtown are inadvertently limiting development that could enhance its potential as a mixed-use urban village with vibrant retail. Further, Menlo Park owns the surface parking lots in its downtown, which represent a tremendous opportunity for the development of parking structures to enhance access to downtown amenities. In 2012, Menlo Park enacted the El Camino Real and Downtown Specific Plan, which articulates a positive and realistic vision for the downtown, and outlines policies needed to achieve that vision. During future biennial reviews of the Specific Plan, consider incorporating the following recommendations to boost the economic health of Downtown Menlo Park.

### STRATEGY 4A: INCENTIVIZE NEW DEVELOPMENT ON UNDER-UTILIZED PARCELS, ESPECIALLY ON SURFACE PARKING LOTS AND SINGLE-STORY COMMERCIAL STRUCTURES

Given the limited development potential in downtown Menlo Park, any opportunities to increase density on under-utilized land will be economically beneficial to the City and to the businesses that locate there.

#### Recommendation. Relax on-site parking

19 http://www.bostonglobe.com/business/2014/01/10/rents-soaring-city-innovation-district/nqeKNcRiLJiyjKEEGog8GP/story.html

### requirements for new development in areas well-served by transit and bicycle infrastructure.

Development projects that are located near the Menlo Park Caltrain Station and other transit hubs should be rewarded for providing higher and better land uses on site than zoning-required parking. Many cities have now moved from required parking minimums to parking maximums in downtown core areas, to reduce traffic, to prioritize commercial land uses that activate the streetscape such as experiential retail and food uses, and to encourage walkable urbanism (See Goal 9 for a description of Walkable Urbanism). Build upon Menlo Park's existing parking maximum requirements within the Caltrain Station Area to encourage transit-oriented development. Currently, Menlo Park's parking maximum provision applies only to multi-family residential properties as outlined in the El Camino Real and Downtown Specific Plan. Consider adding maximum parking requirements to other transit-friendly land uses such as Retail and Personal Service, General and Medical Office, and Restaurants.

**Case study:** Vermont/Western Transit Oriented District (Los Angeles)[20]

Replaced minimum parking requirements with maximum parking allowances.

### Recommendation: Shift zoning toward form-based codes with minimal land use, density or FAR restrictions

#### STRATEGY 4B: ENCOURAGE, TRANSIT, WALKING AND BICYCLING.

Traffic problems are a significant issue in Menlo Park and throughout Silicon Valley, and they contribute to a vicious cycle. Communities are afraid to build more housing for fear of the traffic it could bring. Meanwhile, the region's economy continues to grow. Because cities are not building housing, people have to go further from the workplace to find a house, making their commute longer and adding one more car to rush hour. The pressure of housing costs segregates communities by income. See also Goals 8 and 10 for specific recommendations.

### Recommendation. Continue to use transportation demand management measures to increase the share of trips by, walking and bicycling.

See also Strategy 10B.

**Case study:** Transportation Sustainability Program (San Francisco)[21] Replaces traffic level of service (LOS) evaluation of development projects with evaluation based on transportation demand management and non-auto mode share.

### Recommendation. Partner with an established regional bike sharing organization to bring bike sharing facilities to the downtown, the Caltrain station, and other key destinations throughout the City.

See also Strategy 10B.

**Case study:** Bay Area Bike Share (Palo Alto) Made downtown Palo Alto easier to get around without a car by joining Bay Area Bike Share.[22]

### Recommendation: Provide specific financial incentives to encourage private car sharing services to locate pods downtown.

20 http://planning.lacity.org/complan/specplan/pdf/VermontWesternTOD.pdf

21 http://www.sf-planning.org/index.aspx?page=3035

22 http://www.paloaltoonline.com/news/2013/08/29/palo-alto-puts-bike-share-system-into-gear

### STRATEGY 4C: TURN EXISTING PARKING CHALLENGES INTO ECONOMIC DEVELOPMENT OPPORTUNITIES.

Parking has been and continues to be an important element in the success Menlo Park's downtown, given its suburban context. The City recognizes this, which is why it has provided public parking plazas throughout the downtown area. This gives the City a powerful policy lever. Effective management of the City's parking assets could make parking easier, improve downtown traffic, and allow more activity downtown. For example, a parking structure could free up a surface parking plaza for other uses; imagine a city square with café tables and trees, or apartments three minutes from Caltrain and the planned El Camino Real Bus Rapid Transit line. Today, it is difficult to build new retail space and housing downtown. Downtown parking standards give single-story buildings (floor area ratio of 1.0 or less) the use of parking spaces in the parking plazas to meet zoning requirements. Meanwhile, taller buildings have to provide the parking themselves for any building above a floor area ratio of 1.0. Eliminating this discrepancy could be one step towards promoting development downtown.

#### Recommendation. Price public parking (through smart meters or other distributed systems) to encourage higher turnover during shopping hours and to discourage employees from parking in customer parking areas.

"Who pays for free parking? Everyone but the motorist."[23] Free parking in a downtown such as Menlo Park's creates unnecessary traffic congestion as cars circle for parking, reduces air quality and pedestrian safety for downtown shoppers, and costs valuable taxpayer money to build and maintain. As celebrated parking economist Donald Shoup explains, "If we continue to do what we've always done with curb parking, we will continue to get what we now have -- the parking problem, with all its ramifications. Fortunately, we can resolve this problem if we: (1) charge market prices for curb parking; (2) return the revenue to finance neighborhood public improvements; and (3) remove off-street parking requirements. No other source of public revenue can so easily bring in so much money and simultaneously improve transportation, land use, and the environment."[24] By placing even a modest fee on downtown parking spaces, the City could set aside funds toward a downtown parking structure which could free up space for denser and thus more revenue-generating downtown land uses. San Francisco employs dynamic pricing in order to keep costs commensurate with demand, depending on location and time of day.

**Case study:** SFPARK (San Francisco)[25]

Sensors in street track demand and supply, adjusting parking meter rates to correspond with demand. Higher prices in in high-demand locations and at high-demand times encourage use of under-utilized parking while keeping some parking available at most times in most locations.

#### Recommendation. Replace city-owned surface parking lots with a new public parking structure, freeing up city-owned land for new infill development, whether through public-private partnerships or RFPs.

As recommended in the Menlo Park El Camino Real and Downtown Specific Plan, construction of a public parking structure could help optimize land use downtown. Concentrating off-street parking in a multi-level structure would free up valuable streetscape and City-owned land for higher and better uses such as commercial development and public gathering space.

23 Shoup, Donald. 2011. The High Cost of Free Parking. American Planning Association Planners Press: Chicago.

24 Ibid.

25 http://sfpark.org/resources/how-the-sfmta-makes-parking-management-decisions/

**Case study:** BART Parking Structure (Richmond)[26]

A 750-space parking structure expanded development possibilities downtown.

**Case Study:** West Hollywood Automated Parking Structure (Los Angeles)[27]

54,500 square foot structure – 200 cars (vs 68 cars if conventional structure). Cost $10.6 mil (vs standard equivalent structure estimated to be $11.65 mil). Automated structures are 30-50% more space-efficient than conventional structures. Will yield energy savings, emissions reductions, and enhanced public safety and vehicle security.

Recommendation: Create a downtown parking benefit district (PBD). Invest PBD-generated revenues toward pedestrian and bicycle safety enhancements.

### STRATEGY 4D: EVALUATE OPPORTUNITIES FOR CITY PURCHASE OF UNDERUTILIZED LAND DOWNTOWN.

In order to help catalyze interest and activity in downtown Menlo Park, the City could consider purchasing underutilized property in the downtown core area. Presumably, if such property has been ignored by the development community to date, current zoning and market conditions may not allow for the requisite return on investment to satisfy private sector investors. However, with the City acting as a landlord in this case, as a public agency it has more freedom to sacrifice financial gain in exchange for public benefit. Thus, the City may be able to subsidize rents to attract creative, vitality-inducing tenants downtown such as community uses, arts uses, pop-ups and more.

Recommendation: Identify key "catalyst" sites that are currently a hindrance to the successful development of a walkable and vibrant downtown. Consider acquiring these sites to develop into mixed-use retail and incubator office space via public-private partnerships.

## GOAL 5

### ACTIVATE THE AREA EAST OF 101 BY LEVERAGING PLANNING AND REAL ESTATE DEVELOPMENT OPPORTUNITIES

Although the Belle Haven neighborhood lacks many resident-serving amenities, it holds some of the best economic and real estate development opportunities. Offerings such as a movie theater, supermarket, and other amenities could both improve the livability of this neighborhood and encourage residents from other neighborhoods to visit. The adjacent M2 zone in east Menlo Park is ripe for transformative development. Strategic up-zoning can generate more than just increased property taxes; it can create a whole new live, work and play neighborhood that can provide new amenities for existing Belle Haven residents, incubate new businesses, and generate funding for new public parks and plazas.

The current M-2 zoning is restrictive and Menlo Park recognizes the need to up-zone this area. Currently minimum lot size is 25,000 square feet with minimum 100 foot by 100 foot dimensions, a 20 foot front setback, and maximum 50% lot coverage. The height limit is 35 feet and maximum FAR for industrial uses is 55%, for office 45%.

According to the 2014 Economic Trends Report that informed this Economic Development Plan, the M-2 zone consists of 8.7 million square feet of built space on 640 acres.[28] Of that, approximately 2.5 million square feet are in office uses and 2.7 million

26 http://www.bart.gov/news/articles/2013/news20130514

27 http://www.weho.org/city-hall/city-departments-divisions/assistant-city-manager/innovation-and-strategic-initiatives/25th-anniversary-capital-project/city-hall-automated

28 BAE Urban Economics. April 2014. Menlo Park Economic Development Strategic Plan: Phase 1: Economic Trends Report. http://www.menlopark.org/990/Phase-I---Background.

square feet are in industrial uses. Office rents are commanding on average $5.16 per square foot per month, full service. 48% of the jobs in Menlo Park are located in the M-2 zone. The Economic Trends Report also asserts that based on current market trends, new development in the M-2 can be expected to consist of Class A office buildings ranging from four to eight stories, and multi-family residential buildings at four to six stories.

Consider the office up-zoning scenario. Assuming 35 feet translates into three stories, an up-zoning that captures market demand might increase height limits to 85 feet, to accommodate up to eight-story developments. This would represent a five-fold increase in developable building area for any given M-2 property owner. Rather than simply give such an unsolicited value increase to these landowners, a fairer strategy might be to develop a "public development rights" trading market for these developable air rights. To quantify, say the M-2 zone has 2.5 million square feet of office currently, and we assume for simplicity's sake and to be conservative that this represents full build-out of allowable development under current zoning; that is, buildings are built out to the 35 foot height limit. Up-zoning to 85 feet would create 12.5 million new potential square feet of developable air space. At $5.16/sf this represents $64.5 million in potential office revenue, a significant amount if this were to be given to property owners through City-initiated up-zoning.

### STRATEGY 5A: CREATE A PUBLIC MARKET IN NEW FAR GENERATED FROM LAND RECEIVING SIGNIFICANT UP-ZONING

When substantial new development capacity is created through an up-zoning, implement a market-responsive "Public Development Rights" system of sellable FAR to generate revenues for improvements to public infrastructure and on-going maintenance and operations.

Recommendation: Implement a "Public Development Rights" (PDR) market for net new FAR generated from significant up-zoning of property in the East Side. Use proceeds from the sale of PDR to fund the build out of high-quality public infrastructure in the same up-zoned areas, creating a "virtuous cycle" of higher property values and new investment.

In those areas where Menlo Park substantially increases regulatory development capacity through up-zoning, the City should implement a smart, market-sensitive mechanism to capture some of the economic windfall generated by the up-zoning. The City can then re-invest the proceeds from the up-zoning toward public improvements or on-going services that in turn benefit the newly developed areas. For example, if the zoning on a parcel in the M-2 limits new development to no more than 1 FAR and prohibits office or residential use is then rezoned to allow a 5 FAR and unlimited office or residential use, the current landowner would expect to see a significant increase in the market value of the land solely due to the zoning change (assuming the office or residential markets are strong when the change occurs).

A Public Development Rights ("PDR") system would require that a future developer of the newly rezoned M2 parcel described above purchase the newly created FAR (in this case, 4 FAR) from a City-created "PDR Bank." The current economic value of PDR/FAR units would be derived by a market-based method, like a public auction or competitive sale. But in small land markets like the M2, in a small city like Menlo Park, the best method would probably be through a professional third-party real estate appraisal process, commissioned by the City and validated, perhaps, by a second professional appraiser. The price of PDR needs to be dynamic and established by market demand, not regulatory fiat, to be successful. The importance of establishing dynamic market-based pricing is that it would allow the value of PDR units to fluctuate with real estate

market demand. This would prevent a future PDR system from preventing development in a down-cycle (when rents are low and a high fixed PDR price could undermine the necessary investor returns required to attract capital and/or debt). But it would also allow the City to capture the maximum value from the sale of PDR in a strong "boom" market, when rents support high land values.

Once the final price of a PDR sale was established through the appraisal process discussed above, the developer-purchaser could complete the sale by (i) transferring the final purchase price into a "PDR Fund" dedicated to improving public infrastructure in areas in and around the up-zoned district, (ii) the developer-purchaser could propose making direct public infrastructure improvements of an equivalent value to the purchase price in lieu of paying into the PDR Fund, or (iii) establish a long-term maintenance and operations CFD equivalent in present value to the final purchase price (as described in Goal 1).

San Francisco's Transferable Development Rights (TDR) program is the closest regulatory example of this kind of market-dynamic "FAR-for-sale" regulatory system in place in California today; it has been in place since the mid 1980s in San Francisco's C-3 (Downtown) zoning districts. The policy rationale for the creation of the TDR program was not to capture land value conferred from recent up-zonings, but instead was conceived as a form of market compensation for newly enacted historic preservation restrictions on the ability of private property owners to demolish and redevelop buildings deemed historically significant in downtown San Francisco. Accordingly, under San Francisco's TDR program, TDRs are sold and exchanged between private owners (from someone holding TDRs on a designated "donor" lot and someone needing additional FAR on an eligible "receptor" lot. Under the proposed PDR system, new PDR/FAR would be publicly owned until sold to private developers seeking to deploy the PDR/FAR on parcels with the newly up-zoned development capacity to receive them.

**Case Study:** San Francisco's Transferable Development Rights (TDR) Program, established in 1985 in San Francisco Downtown Plan. See 2013 Seifel TDR Study for San Francisco Planning Department.[29]

### STRATEGY 5B: COLLABORATE WITH FACEBOOK TO ATTRACT NEW INVESTMENT, TO PROMOTE A WALKABLE NEIGHBORHOOD AND TO "BRAND" THE EAST SIDE AS A CENTER OF INNOVATION

Facebook has expressed interest in exploring mixed-use opportunities in its upcoming development projects.[30] Menlo Park should collaborate with Facebook where feasible to promote the community's goals and create a model to which other tech campuses can look for exemplary public-private partnerships.

#### Recommendation: Promote the growth of walkable urbanism in the public- and privately-owned land adjacent to the Facebook Campus

Explore win-win opportunities to create amenity-rich, pedestrian friendly mixed use neighborhood amenities for both Facebook users and nearby residents. See also Goal 9: Walkable Urbanism.

#### Recommendation: Leverage the positive Facebook brand to attract other new businesses and development opportunities to the area.

29 http://onesanfrancisco.org/wp-content/uploads/R_TDR_Market_Study_062113.pdf

30 Donato-Weinstein, Nathan. February 6, 2015. "Exclusive: Facebook buys 56 acres in Menlo Park, considers future of the campus." Silicon Valley Business Journal. http://www.bizjournals.com/sanjose/news/2015/02/06/exclusive-facebook-buys-56-acres-in-menlo-park.html

### STRATEGY 5C: DEVELOP DUMBARTON RAIL CORRIDOR INCREMENTALLY, IN STEPS THAT FACILITATE RATHER THAN PRECLUDE LATER UPGRADES

The Dumbarton Rail concept (Figure 2) is a long-term necessity for the region as land uses increase in density, housing and office development grows, and traffic congestion increases. Though it may seem a major and risky investment today given the underutilization of land along the Dumbarton corridor, those conditions may make this an opportune time to invest in inevitable future growth. For the development of the Dumbarton Rail through Menlo Park (Figure 3), consider a phased approach that in the short term creates immediate benefit within Menlo Park's jurisdiction while also grows support for a longer term full-connectivity option between Caltrain and the East Bay BART. Phased improvements in the short term such as bicycle and pedestrian pathways should not preclude the option for light or heavy rail installation along the right of way in the future.

**Case Study:** Sonoma-Marin Area Rapid Transit (SMART) Rail and Trail White Paper[31]

**Phase I:** Dumbarton Bicycle Trail

- Convert a portion of the right-of-way (ROW) within Menlo Park's jurisdiction into a multi-use bicycle and pedestrian trail, ideally with a paved two-way striped bike path and a permeable pedestrian/jogging trail (e.g. made of decomposed granite).
- Remainder of ROW to be left vacant, to leave room for future development of a public transit system such as Bus Rapid Transit (BRT), light rail, or ultra-light rail in Phases II and III
- Future public transit land area along ROW corridor can be programmed with creative interim activation uses - arts, fitness activities, kiosks, e.g. a "High Line" of Menlo Park
- Trail would remain through all three phases
- Trail would not impede ability of ROW to be used for rail or bus mass transit in Phases II and III
- Build support through Phase I uses for Phases II and III

**Phase II:** Dumbarton BRT Spur

- Build out non-trail ROW within Menlo Park's jurisdiction into public transit system connecting Facebook campus with Redwood City Caltrain – either via Bus Rapid Transit (BRT), light rail, ultra-light rail or similar
- Bike-Ped trail remains intact
- Build support through Phase II uses for Phase III

**Phase III:** Dumbarton Fixed Rail

- Work at a regional level with neighboring jurisdictions to fully implement Dumbarton Rail across San Francisco Bay to Union City, connecting Redwood City Caltrain to Union City BART station
- Ideally bike-ped trail within Menlo Park jurisdiction remains intact, pending ROW width

Sample Right-Of-Way Details (Figure 4):

- Standard 2-way Class I bike pathway width = 7'9" (CA Highway Design Manual)
- Gravel or decomposed granite (D.G.) pedestrian / jogging pathway width = 5' (Los Altos Hills D.G. pathway design)
- Rail line width Comparisons – Caltrain, Mtn View Light Rail, SMART
- Dumbarton ROW width = 100' in most places, 20' across bridges

31 http://www2.sonomamarintrain.org/userfiles/file/8_whitepaper_railandtrail.pdf

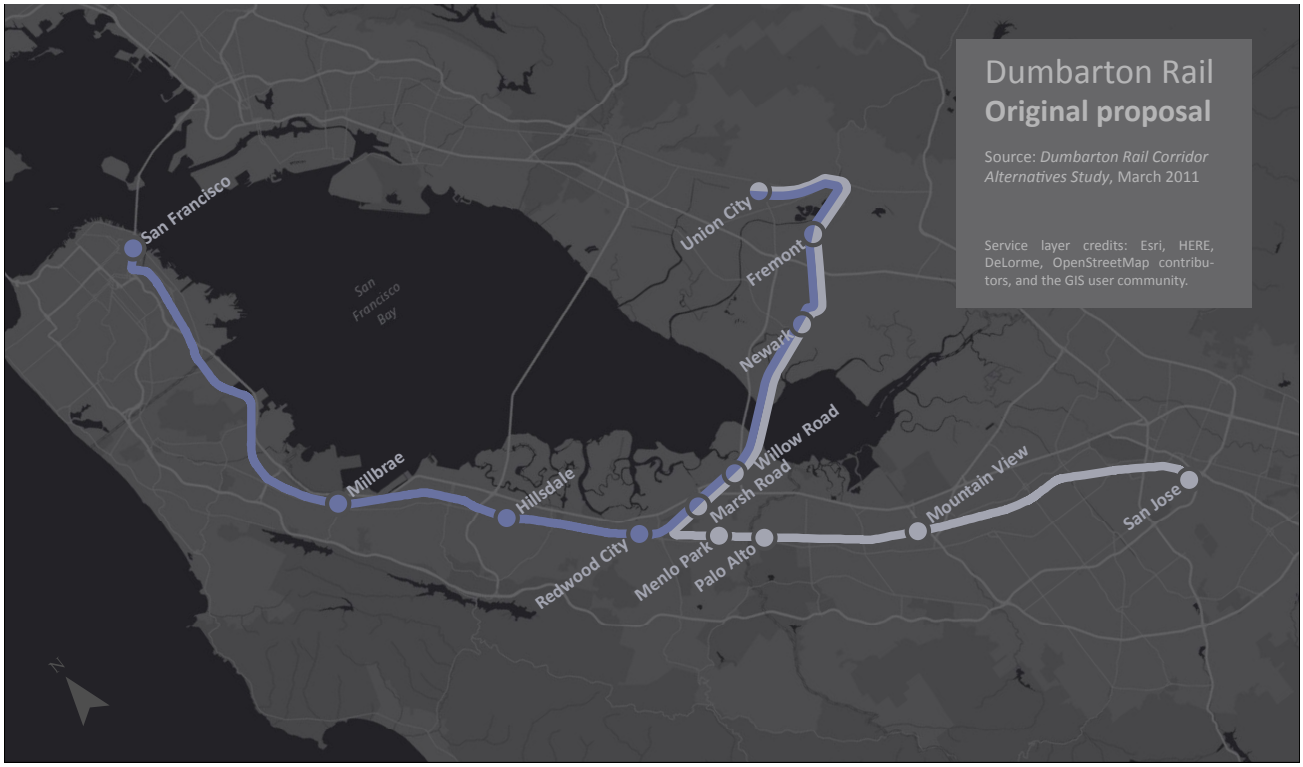


Figure 2: Dumbarton Rail Concept

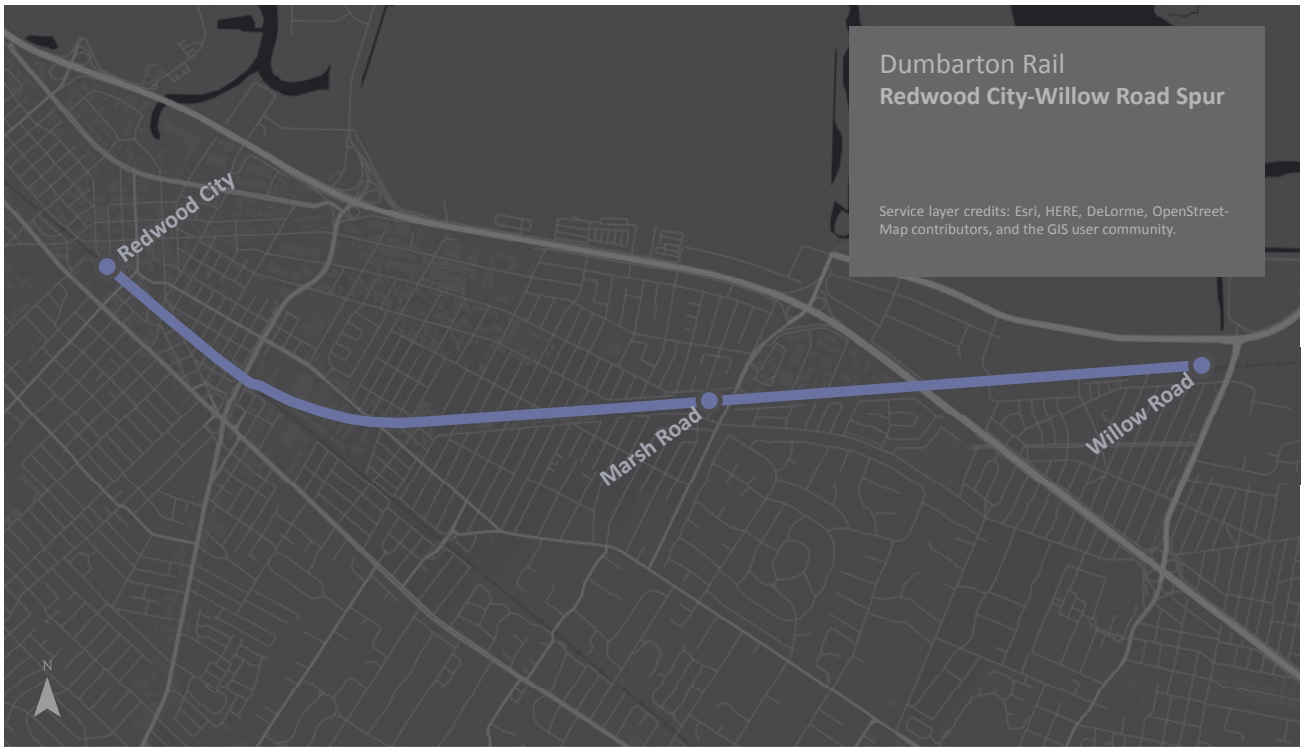


Figure 3: Potential Future Dumbarton Rail Spur Transit Nodes

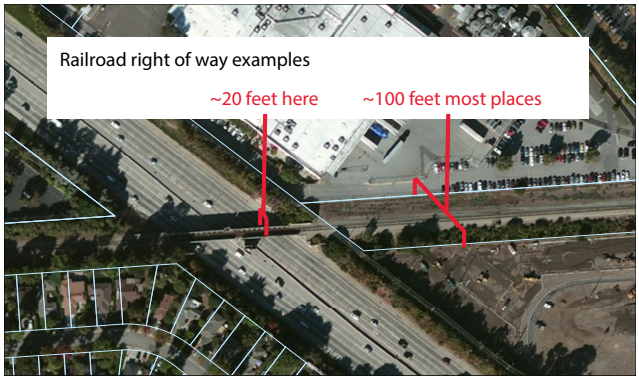

Figure 4: Dumbarton Rail Right-of-Way (ROW) Dimensions

## GOAL 6

### CAPTURE THE ECONOMIC POTENTIAL OF "PASS-THROUGH" TRAFFIC

An estimated eighty percent of east Menlo Park's daily traffic is "pass-through," meaning auto trips by individuals with no planned destination in Menlo Park. By offering more reasons for these drivers to stop and spend time and money in Menlo Park, ideally through amenity-rich, pedestrian-friendly retail and entertainment clusters, the City could both increase its capture of the economic wealth of the larger region without adding significant vehicle traffic, and also enhance retail and cultural amenities for Menlo Park's residents.

#### STRATEGY 6A: ACTIVATE MENLO PARK CALTRAIN STATION

In 2014 the Menlo Park Caltrain station saw an Average Weekday Ridership (AWR = number of passengers boarding or alighting per station per day) of 1,668, up 9.3% from 2013. However, this represents only 3.2% of Caltrain's overall AWR. For reference, Palo Alto captures 11.7% AWR, Mountain View 8.1% and Redwood City 5.6%. Menlo Park could increase its AWR by encouraging development of commercial amenities around its Caltrain station.[32]

According to Caltrain's 2013 Triennial Customer Survey, Caltrain commuters are:[33]

- **New** - 35% of respondents have been riding Caltrain less than one year.
- **On Foot or Bicycle** - 28%/32% of respondents walked to/from Caltrain (vs 23%/19% driving to/from). An additional 17% used a bicycle to/from Caltrain.
- **Young** - Average rider age is 36.7, with a 5% increase in riders age 25-34 between 2010-2013.
- **Affluent** - Rider average household income is $117,000, with 33% of weekday riders living in households earning over $150,000.

New riders are more likely to be open to forming new habits, such as stopping at new Caltrain stops that offer services they seek. Riders without cars are more likely to off board to shop, eat or drink at establishments within a block or two of the Caltrain station. Young affluent riders will be enticed by after-work attractions such as bars, restaurants and entertainment.

Recommendation: Engage a marketing consultant to develop a station area marketing campaign to celebrate/highlight existing businesses and amenities near the station.

Consider developing a branding campaign such as, "Rediscover Menlo" or "94025" etc. Target Caltrain riders by placing ads on Caltrain, Facebook, Spotify and other social media, regional news/media.

Recommendation: Identify key businesses and amenities that are missing and actively recruit them to "complete" the station area.

32 February 2014. Caltrain Annual Passenger Counts: Key Findings. Table 4.

33 October 2013. Caltrain Triennial Customer Survey Summary Report. Corey, Canapary & Galanis Research. http://www.caltrain.com/Assets/_Marketing/pdf/2013+Caltrain+Triennial+Customer+Survey+-+Report.pdf

Recommendation: Establish a Transit Oriented Development (TOD) overlay within El Camino-Downtown Specific Plan that grants increased FAR to any property within 1/3 mile radius of the station.

- As part of a biennial review the Specific Plan, consider the potential for additional specific transit-oriented development (TOD) incentives in addition to reduced parking requirements near the Caltrain station to attract new and redevelopment.
- Regional branding campaign for Menlo Park Caltrain station area, see above.
- Seek regional, state and federal funding for Transit-Oriented Development grants.

### STRATEGY 6B: CAPTURE EXISTING "PRIMARY SERVICE AREA" POPULATIONS FOR MENLO PARK'S MAJOR DESTINATIONS

It is important to complement analyses of pass-through traffic capture with primary service area capture, because each is required to activate a "destination" or commercial center of activity at different times: commuters on weekday mornings and evenings, and nearby residents on weekdays and weekends. This analysis hones in on three destinations: Downtown (existing), the Jefferson Drive area (in development), and the Willow Road area (in development). The existing population living within 1/2 mile of each of these can be considered the potential population who could walk to the destination, and the population within a 3-mile area comprises the potential population who could cycle to the destination. Based on these data, these existing and future destinations do supply a sufficient local population to support healthy neighborhood commercial centers (Figure 5, Table 1).

**Downtown / Caltrain Station**

Within ½ mile of the Menlo Park Caltrain Station are 3,500 residents who could potentially walk downtown in lieu of driving. Within 3 miles of downtown are

Figure 5: Walk-Shed and Bike-Shed Comparisons for Menlo Park Activity Nodes

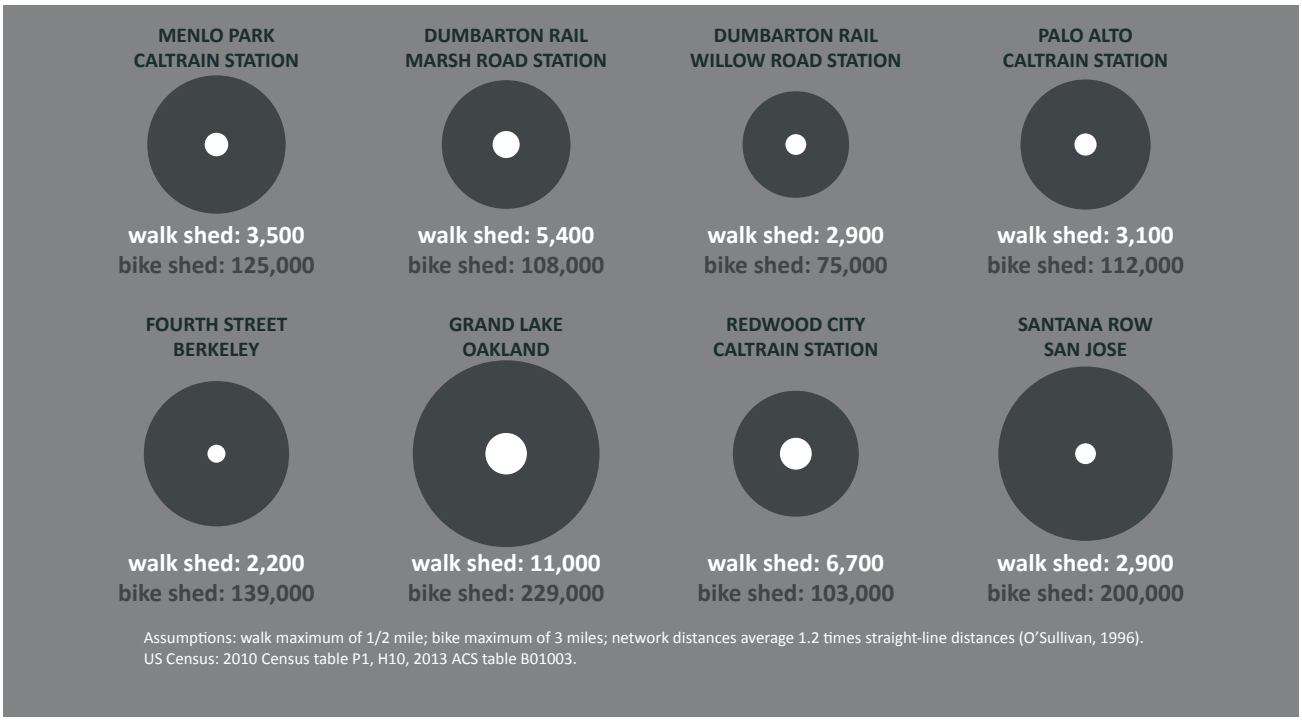

**Table 1: Local Market Base for Menlo Park Activity Nodes**

| | Local market | | |
|---|---|---|---|
| | Walk shed (1/2 mi) | Bike shed (3 mi) | Regional connections |
| | • | • | |
| Downtown (Menlo Park Caltrain) | 3,584 | 125,523 | Caltrain, El Camino Real |
| Jefferson Area (Marsh Station) | 5,466 | 108,257 | Hwy 101, CA SR 84, Dumbarton Rail* |
| Willow Area (Willow Station) | 2,970 | 75,005 | Hwy 101, CA SR 84, Dumbarton Rail* |
| | • | • | |
| Caltrain, Palo Alto | 3,092 | 111,974 | Caltrain, El Camino Real |
| Caltrain, Redwood City | 6,701 | 103,517 | Caltrain, El Camino Real |
| Fourth Street, Berkeley | 2,258 | 139,682 | I-80, Amtrak |
| Grand Lake, Oakland | 11,606 | 229,577 | I-580 |
| Santana Row, San Jose | 2,947 | 200,656 | I-280, I-880 |
| * Potential. | • | • | |

Based on the assumption that network distances average 1.2 times straight-line distances (O'Sullivan, 1996).
US Census: 2010 Census table P1, H10, 2013 ACS table B01003.

125,000 residents who could bike downtown. Ideally these residents would consider downtown Menlo Park their primary shopping area, provided the downtown can offer the range of services needed. Having such a robust "Primary Service Area" population base to support downtown's growth is important to recognize; capturing pass-through traffic is an added bonus. (Figure 6)

**Jefferson Drive Area / Future Marsh Road Station**

Within ½ mile of a potential future Dumbarton Rail station at Marsh Road are 5,400 residents, and within 3 miles 108,000. The approved Menlo Gateway development is also within walking distance of this potential rail station. If the City required sufficient pedestrian and bicycle connections between the Jefferson Drive area and the westward neighborhoods, this area could evolve into a successful walkable urbanism node. (Figure 7)

**Willow Road Area / Future Willow Road Station**

Within ½ mile of a potential future Dumbarton Rail station at Willow Road are 2,900 residents, and within 3 miles 75,000; this number may grow if new housing is approved in this area. This healthy number of nearby residents may help entice retailers and developers to bring new businesses to the area. In addition, given these residents are within walking or biking distance, incoming businesses may be able to provide less parking than otherwise would be required, thus saving cost and valuable land area. (Figure 8)

### STRATEGY 6C: ENCOURAGE AMENITY-RICH MIXED-USE DESTINATIONS OFF HIGHWAYS 101 AND 84 IN M-2 ZONE

Several major new development projects are underway along freeways or arterials, for example Menlo Gateway in the Jefferson Drive area, and Facebook in the Willow Road area. These high profile projects can help catalyze further development in the area that both complements the approved projects and brings in new local and pass-through customers. As outlined in the General Plan update, the Jefferson and Willow areas are ideal locations for mixed use retail, entertainment and service clusters that attract pass-through traffic as commuters drive to and from work.

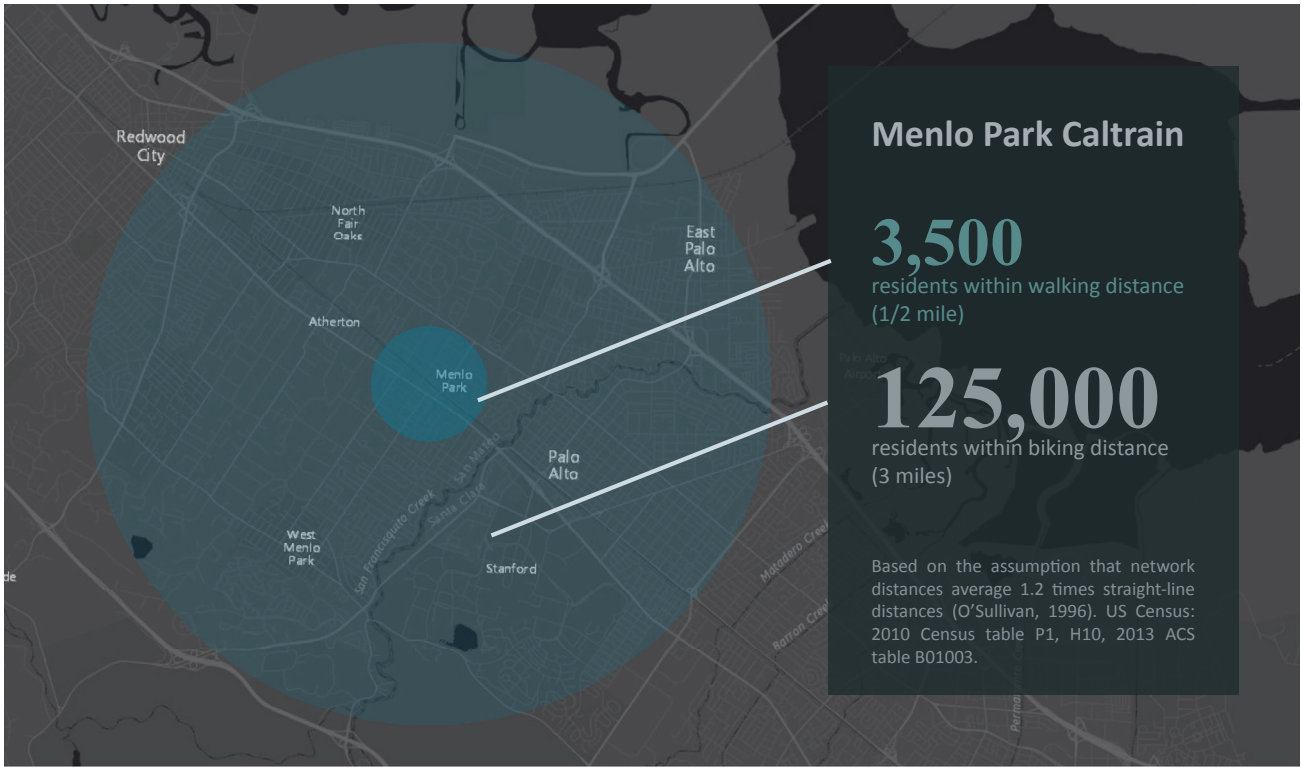


Figure 6: Menlo Park Caltrain Station Area Analysis

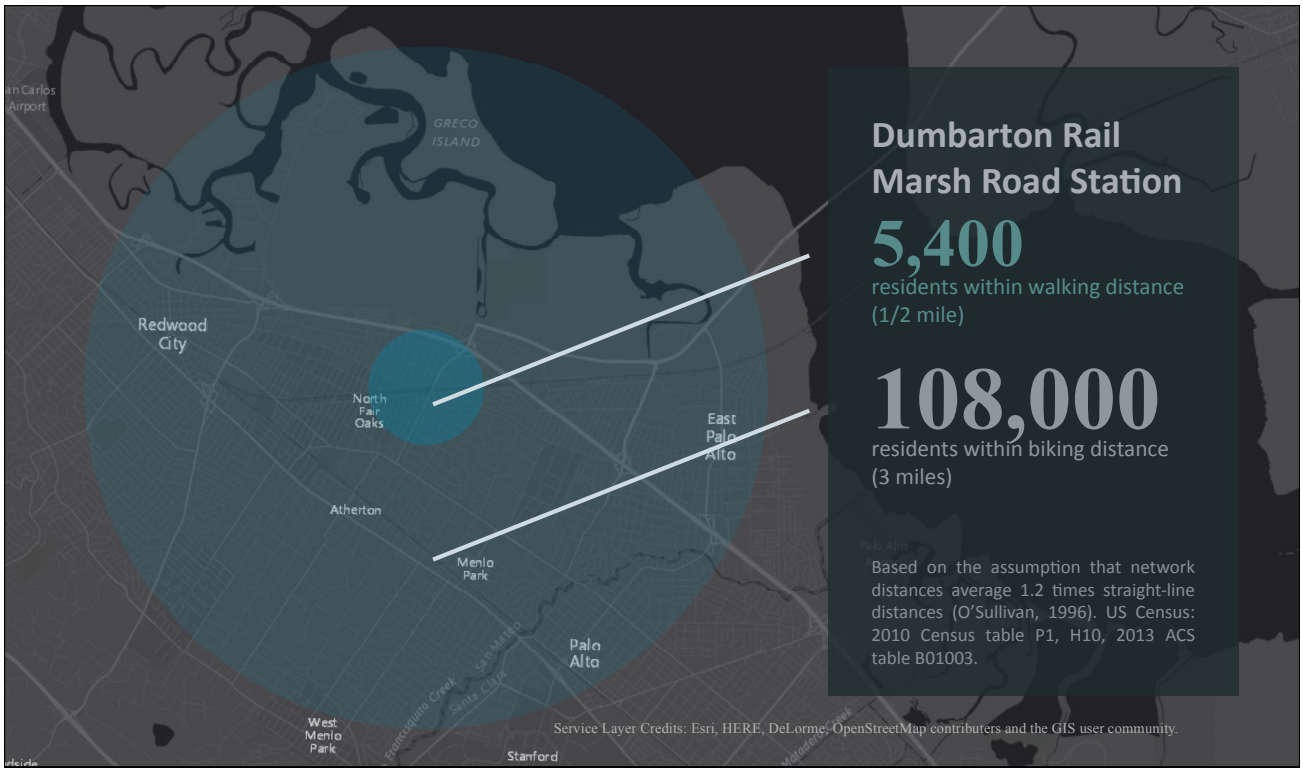


Figure 7: Jefferson Area / Future Dumbarton Rail "Marsh Road" Station Area Analysis

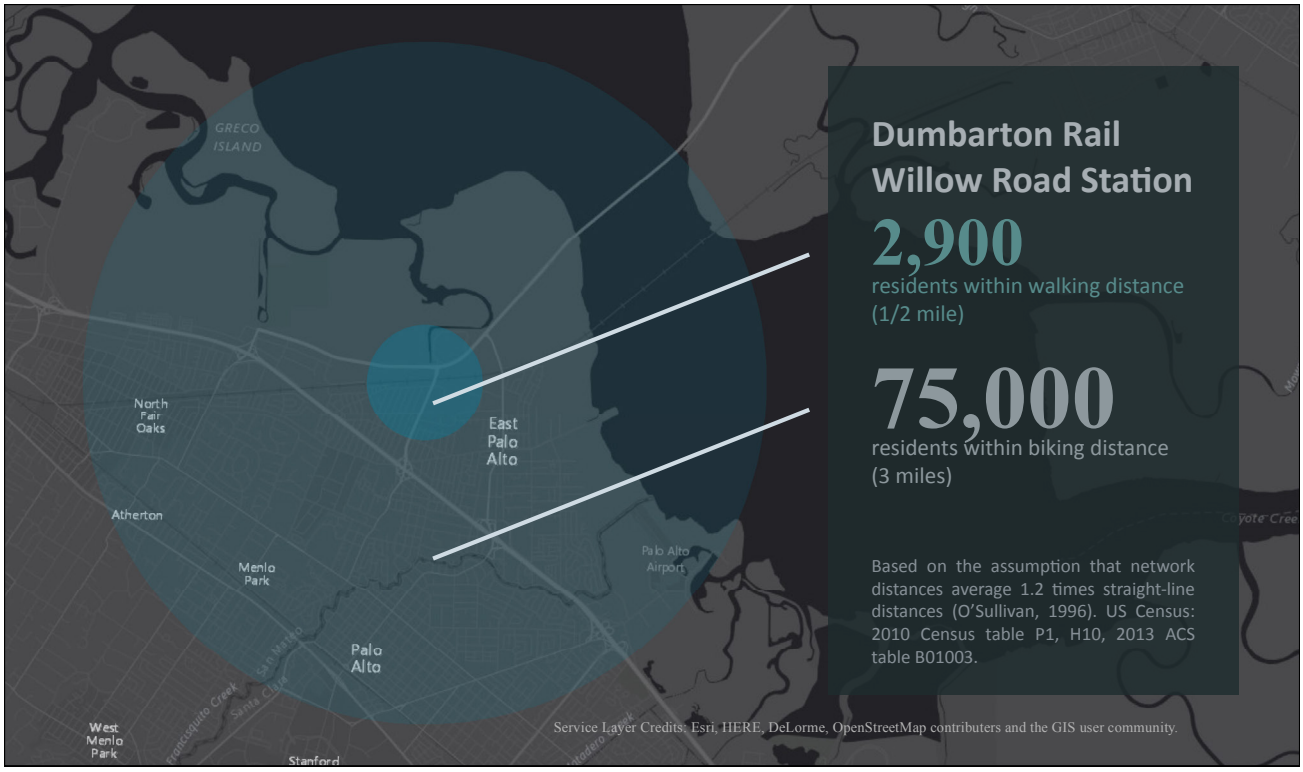


Figure 8: Willow Road Area / Future Dumbarton Rail "Willow Road" Station Area Analysis

Recommendation: Work closely with local development teams to ensure the Willow and Jefferson areas respectively become successful new mixed-use destinations, consistent with the goals of the General Plan update.

- Maintain close communication with development teams to explore opportunities for collaboration
- Encourage commercial land uses on ground floor to create neighborhood commercial core feel
- Encourage commuter-friendly land uses: restaurants, entertainment, fitness, experiential retail, personal services, conference space and services, etc.
- Require pedestrian-scale architecture, public amenities, limited storefront widths
- Seek public-private parking partnerships to provide win-win solutions to parking needs
- Create bicycle connections to Bay Trail and Caltrain/downtown - emphasize and market bicycle commute corridors to residents

**Case Study:** Patriot Place

Patriot Place is an open-air shopping center in Foxborough, Massachusetts adjacent to the home stadium of the New England Patriots. Although Menlo Park is not proposing infrastructure at the scale of a football stadium, lessons can be learned from activity centers like Patriot Place in which a wide variety of restaurant and retail land uses as well as ongoing events and programming fosters activity at all hours of day and night, not just on game days.[34]

34 http://www.patriot-place.com/

## GOAL 7

## ENHANCE CULTURAL AND ARTS OFFERINGS

Menlo Park should actively promote arts and culture as an economic development strategy.

### STRATEGY 7A: INCREASE LAND USE FLEXIBILITY TO ALLOW FOR INNOVATIVE USES

Many city zoning codes still reflect antiquated notions of separation of land use, restricting uses to a limited variety of single-purpose categories. However, urban planning theory today espouses the benefits of mixed-use zoning, or allowing multi-functional land uses, as a way to grow economic and community vitality especially in downtown commercial core and planned community areas. In order to attract economically viable commercial, office and even residential uses, cities should allow for non-conventional land uses such as temporary or "pop-up" uses, arts uses, "maker spaces," business incubator spaces, co-living residential developments, etc. If Menlo Park seeks to capture a greater share of the innovation economy, it should encourage these flexible and creative uses of space to attract forward-thinking developers and businesses. A successful example of a pop-up that has also proven a lucrative sales tax generator is Menlo Park's Pace Gallery. Located on El Camino Real, the contemporary art gallery pop-up was originally slated for a two-month stay but its tenure has been repeatedly extended, suggesting there is indeed a healthy market for arts-related offerings.

#### Recommendation: Expand the number of principally permitted uses allowed in mixed-use and commercial zones.

Currently Menlo Park's M-2 "General Industrial District" zone allows only general industrial, office and storage as permitted uses, with cafes, convenience stores, personal services, day care, and public utilities as conditional uses. The ongoing General Plan update should consider flexibility in the types of allowable land uses that are trending in the current real estate marketplace and that may not fit well into existing land use categories. For example, many biotech companies require two work spaces per employee – an office and a lab – thus the parking requirement for this use might be lowered. In contrast, many tech startups utilize an open floor plan featuring more workers per square foot than under the conventional cubicle and private office model.

The SP-ECR/D "El Camino / Downtown Specific Plan" District allows a greater mix of uses but is still restrictive in terms of restaurant uses, station area uses, and community services among others. The C-4 "General Commercial Retail" though limited to a small percentage of Menlo Park's land area allows only retail stores, banks, offices, personal services, and cafes and restaurants without alcohol as permitted uses. These use restrictions limit creative land uses like art pop-ups, temporary art exhibitions in retail spaces, and outdoor art exhibitions and festivals. See also Strategy 1A for recommendations about pop-up zoning.

**Case Study:** Norfolk VA Downtown Arts and Design District[35]

- Result of a weekend-long community design event by Team Better Block – to create a new zoning district. 90% of once-neglected buildings now under contract or leased
- Zoning code language & allowed uses36 - includes relatively innovative downtown land uses such as: Art Gallery, Farmer's Market, Mixed Use, Indoor/Outdoor Flea Market, Retail Goods Establishment (operating after midnight), Retail Services Establishment (operating after midnight), Sale of Alcoholic Beverages

35 http://www.norfolk.gov/index.aspx?NID=3047

36 https://www.municode.com/library/va/norfolk/codes/code_of_ordinances?nodeId=CO-CI_APXAZOOR_ARTIISPDIRE_CH8DODI_8-4DOARDEDI

for Off-Premises Consumption, Arts Studio, Dance Studio, Theater, Amphitheater, Museum, Community Recreation Center, Brewery and Microbrewery, among others.

### Recommendation: Allow non-sales-based uses in downtown zoning code.

Allowing businesses whose primary goal is community benefit rather than conventional sales can be of benefit to a city, despite a perceived "loss" in sales tax revenue. Locating community-serving amenities such as art viewing galleries, community hang-out spaces, and shared performance spaces within a commercial downtown core can attract potential customers who may shop before or afterward.

**Case Study:** SFMOMA's Project Los Altos[37]

Four-month art exhibition partnership in 2013-2014 between SFMOMA, City of Los Altos, Passerelle Investment Company. Original work by 9 artists up for public viewing in private and public spaces throughout downtown Los Altos. Because the zoning code did not allow for non-sales-based uses, the three indoor public art exhibition spaces had a circuitous permitting route, being considered temporary uses. Luckily, City of Los Altos expedited these permits and also allowed art to be installed on public land, in exchange for being listed as co-sponsor.

## STRATEGY 7B: STREAMLINE PERMITTING AND/OR REDUCE FEES FOR STREET EVENTS.

Street activation events bring more people downtown, which can boost economic vitality for downtown businesses and thus increase City sales tax revenue. Menlo Park can encourage street activation by reducing barriers for community groups, individuals and businesses to obtain necessary approvals.

**Case Study:** San Francisco Market Street Prototyping Festival, April 9 – 11, 2015[38]

50 temporary art and civic engagement installations to "make San Francisco's premier civic street a more active, engaging and inspiring public place"

### Recommendation: Explore ways to reduce 60-day advance permit application time to allow for more spontaneous community-building events.

Note that City staff is currently working to bring in new staff resources to help with community events, which should also help streamline this process.

## STRATEGY 7C:. INCENTIVIZE STREET ACTIVATION AND "POP-UP" ARTISANAL RETAIL IN UNDERUTILIZED COMMERCIAL SPACES

Streets and sidewalks comprise roughly one third of a city's land area, and much of this space could be better used to serve the residents and property owners, taxpayers who fund its care. Expanding upon Menlo Park's existing downtown sidewalk dining program, encourage more varied use of public rights of way including streets, sidewalks and public parking lots.

### Recommendation: Develop a system of matching grants to leverage private and non-profit sector investment in street festivals or longer-term "pop-up" retail or art galleries in underutilized spaces in the downtown or other commercial clusters.

Matching grants are effective and easily implementable tools to help fund locally directed projects and also to build community engagement.

37 http://www.sfmoma.org/losaltos

38 http://www.sf-planning.org/index.aspx?recordid=270&page=2719

In addition, many larger-scale government (e.g. federal, state, regional) and philanthropic grant-making institutions look favorably on projects for which significant community support and organization has been demonstrated. Thus, a relatively modest matching grant from the City could catalyze a multiplier effect that in complement with other funding sources generates significant resources for needed community projects.

**Case Study:** San Francisco's Community Challenge Grant Program[39]

For community-based neighborhood beautification projects. 2009 awarded ~$1m in 2 rounds. Must be matched at 35-50% depending on grant size

**Case Study:** San Francisco Invest in Neighborhoods Initiative[40]

Provides assistance to strengthen commercial corridors and districts. Partnership of several city departments – Planning, Public Works, Transportation. Launched in 2012. 2013 awarded $500K in $10-20K grants

### Recommendation. Draft standard "interim arts use" and "pop-up" lease templates to reduce barriers to entry.

The City of Menlo Park's Economic Development Department could provide educational resources and basic lease templates to help guide property owners through the process of creating a pop-up program. Build Public can assist with the development of such templates if requested, drawing upon past experience.

### Recommendation: Establish a Citywide database of underutilized ground floor commercial buildings for future activation.

Alternatively or in addition, consider partnering with an established regional service that connects vacant spaces with interested businesses.

**Case studies:** Storefront, Pop-Up Hood[41]

### Recommendation. Study legal feasibility of providing property tax rebates for landlords who lease to incubator of artist/"maker" spaces.

Encouraging creative land uses such as artist studios and pop-ups can lead to a multiplier effect in which the presence of creative businesses attracts other creative businesses, driving an overall boost in the desirability of the area for the innovation sector businesses and residents alike. See Strategy 1A recommendations for more details.

**Case Study:** Maryland's Smart Growth Arts & Entertainment District Program[42] Property tax abatement "to encourage the renovation of buildings for use by artists or arts and entertainment enterprises by lessening the financial burden on property owners

**Case Study:** Los Angeles Creative Artist Tax Exemption. An incentive program geared towards businesses rather than landlords. For "creative artists" generating up to $300K in gross receipts from their qualifying "creative activities."[43]

39 http://www.sfgsa.org/index.aspx?page=4264

40 http://investsf.org/

41 https://www.thestorefront.com/, http://www.popuphood.com/

42 http://www.mdarts.org/advocacy/historical_advocacy/smart-growth-arts-entertainment-districts/

43 http://finance.lacity.org/content/entertainmentcreativetalentfaq.htm

## GOAL 8

### PRESERVE HOUSING AFFORDABILITY AND INCOME DIVERSITY WHEREVER POSSIBLE

Providing access to housing that is affordable to a range of incomes is a crucial component of economically vibrant and resilient communities, especially for small restaurants and retail businesses that employ modestly paid workers.

One of the biggest problems facing the Bay Area is that housing is too expensive for those who are not protected from rising costs by either homeownership or rent control. High housing costs act like an additional tax, reducing household wealth and the amount of disposable income available to support the local economy. Consequently, people are forced to save on housing by living further from their workplace, putting more cars on the freeway. High housing costs are passed back to businesses and then to consumers, pushing up the cost of groceries and everything else. To find affordable housing, some households are at risk of being forced to leave the region.

To address this problem, Bay Area governments commonly mount three general policy responses:

- Build affordable housing reserved for low-income households (earning less than 80% of area median income) or moderate income households (earning 80% to 120% of area median income). Common funding sources include federal tax credits, the US Department of Housing and Urban Development (HUD), and local property developers (where inclusionary housing is required).
- Make room for the private sector to provide more affordable housing through zoning policy changes. Examples include legalizing backyard and garage "accessory" dwelling units; reducing development costs by relaxing standards for parking and unit size; and changing zoning to permit greater development. The potential benefits of such policies are commonly underestimated.
- Coordinate through regional bodies to ensure that the responsibility to provide housing is fairly distributed throughout the region.

Menlo Park is already leading this effort with its 2015-2023 Housing Element, which includes policies addressing the above best practices. However, over time further measures will be necessary to address the region's housing crisis, and the City should prepare now for that challenge. There will be no quick fix to this problem; problems of housing affordability will most likely pose an ongoing problem in Menlo Park, and in most communities in the Bay Area, for many years to come.

#### Recommendation. Allow taller buildings and relax parking requirements so that homes can be built more cheaply.

See also strategies within Goals 4, 5, and 8.

**Case study:** San Pablo Avenue Specific Plan (El Cerrito) Establishes new height and density requirements to promote a vibrant, transit-oriented downtown.[44]

**Case Study:** Vermont/Western Transit Oriented District (Los Angeles) Replaces minimum parking requirements with maximum parking allowances.[45]

#### Recommendation. Allow micro-apartments and/or co-living projects that cost less to build than regular apartments.

See also Goal 8 for more specific recommendations.

**Case study:** SoMa Studios (San Francisco) Compact, flexible housing units cater to small

44 http://www.el-cerrito.org/index.aspx?nid=396

45 http://planning.lacity.org/complan/specplan/pdf/VermontWesternTOD.pdf

households at cheaper prices.[46]

### Recommendation. Incentivize renovation of existing multi-family housing stock.

Much of the existing multi-family housing stock in Menlo Park is aging and lacking in the variety needed to meet the housing needs of Menlo Park's diverse community, from aging baby boomers to incoming technology and innovation sector workers. Minor retrofits to existing housing could be a relatively inexpensive way to add much-needed units to Menlo Park's housing supply in a way that keeps housing affordable to a range of resident demographics. This recommendation can also be implemented much more quickly and in tandem with longer-term solutions like development of new housing supply. See also Goal 8.

## GOAL 9

## GROW "WALKABLE URBANISM" IN A FEW STRATEGIC LOCATIONS

Identify a small subset of locations best suited for concentrated changes in land use and urban form, such as enhanced pedestrian- and bicycle-friendly street design and more neighborhood-serving retail. Focus these physical changes in a few key areas, as it is unrealistic and undesirable for all of Menlo Park to become an amenity rich "walkable" neighborhood.

The most successful downtowns in Bay Area cities tend to follow a pattern of "walkable urbanism." They combine good transit services, moderate residential density, a pedestrian friendly public realm, and smart parking management. These downtowns often cultivate a virtuous cycle, in which visitors and residents attract new businesses, and the businesses in turn attract more visitors. Growing in an intentional way – a way that promotes walkability, activity, commerce, and vibrant neighborhoods – we refer to as walkable urbanism. It is important for several reasons.

**Walkable urban neighborhoods are convenient.** With more businesses in Menlo Park and a greater mix of land uses, more people will be able to live within walking distance of a grocery store.

**Walkable urban neighborhoods capture more regional spending.** Menlo Park is not capturing as much business as it could. People passing through on 101 and 84 could be stopping and shopping.

**Walkable urban neighborhoods participate in the region.** By capturing a portion of regional housing development, Menlo Park can contribute to addressing the region's crisis of housing.

**Walkable urban neighborhoods attract educated, high-earning professionals.** An educated workforce is one of the most valuable economic resources a city can have. Their wealth allows them to spend more at local businesses, to pay higher taxes, to employ more local service providers, and to start more new businesses. This adds to a city's economic vitality, which is necessary for Menlo Park to be able to provide a high quality of life for the broader community of all demographic types and income levels.

**Walkable urban neighborhoods reduce driving.** Living in a walkable neighborhood near public transit makes it easier for people to drive less. This helps both local traffic congestion and global climate change.

**Walkable urban neighborhoods promote safety.** A key principle of walkable urbanism is to provide safe streets for pedestrians and bicyclists as well as drivers, and to provide public spaces that are active, busy and safe.

### Recommendation: Encourage development in the Willow and Jefferson areas of the M-2 zone.

Identify two or three locations with good transit

46 http://www.bizjournals.com/sanfrancisco/blog/real-estate/2013/06/patrick-kennedy-to-sell-micro-units.html?page=all

service, such as downtown (Caltrain) and along Willow Road (DB and DB-1 bus lines) to become more walkable neighborhoods through emphasis on streetscaping and pedestrian street crossings, tactical urbanism, public space activation events and ongoing programming. In a future that explores the development of the Dumbarton Rail through the M-2 zone, walkable urbanism focal areas could expand to include the area around the intersection of Willow Road and the Dumbarton Rail right of way, and the Jefferson Drive area between Highway 101 and the Bayfront Expressway. In these M-2 areas, recently approved development projects as well as potential future Dumbarton Rail transit hubs can be considered catalysts for further development. Consider implementing design standards in these areas to encourage a pedestrian-friendly environment surrounding these potential new transit stations.

**Case study:** Central Petaluma Specific Plan - A plan that prioritizes downtown Petaluma's sense of place, using form-based codes.[47]

**Case Study:** San Pablo Avenue Specific Plan (El Cerrito) - Establishes new height and density requirements to promote a vibrant, transit-oriented downtown.[48]

### Recommendation: Allow more housing to be built near transit, focusing especially on the M-2 District.

Make sure there are enough residential buildings to support an active, vibrant downtown environment. See also Goals 1 and 8 for more detail.

**Case study:** Diridon Station (San Jose) Keeps residential density moderate, but high enough to support active streets and local retail.[49]

### Recommendation: Design the intersection of the public and private realms for pedestrians at a pedestrian scale

Local walking trips tend to engage both the public realm – sidewalks, streets and public spaces – and the private realm – the buildings that frame public space.

**Case study:** Central Petaluma Specific Plan (Petaluma). Coordinates the design of the public realm and the buildings that frame it, using a form-based code.[50]

### Recommendation. Expand allowable land uses.

Allow mixed uses, flexible uses, temporary uses. In particular, allow retail in most locations if the market supports it.

**Case study:** Central Petaluma Specific Plan (Petaluma). Allows mixed-use buildings and ground-floor commercial uses in most areas.[51]

### Recommendation: Experiment with low-cost, quickly-implemented, and grassroots adjustments to the public realm.

Often described as "tactical urbanism," features like parklets, temporary pedestrian facilities like bulb-outs, pop-up parks and retail spaces, Sunday street closures, and public markets have several advantages. They can be relatively inexpensive and quick in comparison to major public realm interventions; they can harness the creativity of

47 http://cityofpetaluma.net/cdd/cpsp.html

48 http://www.el-cerrito.org/index.aspx?nid=396

49 http://www.sanjoseca.gov/index.aspx?NID=1743

50 http://cityofpetaluma.net/cmgr/pdf/smartcode-final.pdf

51 Ibid.

grassroots organizations and private enterprises; and they allow for the use of experimentation and failure to promote more successful public spaces, as Menlo Park has already begun exploring.

**Case study:** Market Street Prototyping Festival. Invited creative teams outside City government to design and build public art and pedestrian improvements for a temporary 'festival' of new public realm ideas.[52]

**Case study:** San Francisco Parklet policy. Inspired by Park(ing) Day, where private citizens reclaim parking spaces for alternate uses, the parklet program has allowed for the creation of mini-parks and outdoor additions to cafes, restaurants and bars in San Francisco.[53]

**Case Study:** Downtown Los Altos Third Street Green. A partnership between a downtown property owner, Passerelle Investments, and the City of Los Altos, the Third Street Green was a month-long pop-up park in downtown Los Altos. It created public gathering space in the downtown core that featured various types of programming throughout the day and evening from free art and yoga classes to live music, largely hosted by local businesses and groups.[54]

### Recommendation: Require parking to be placed behind buildings, on side streets, or in structures.

Incentivize existing owners of buildings with frontage parking to redevelop their sites with street-oriented retail/active uses on the ground floor. See also Strategy 4D.

**Case study:** Vision North San Jose (San Jose). Calls for parking to be tucked behind buildings and on side streets.[55]

### Recommendation: Reduce parking requirements for new development and requre transportation demand management (TDM) measures in larger projects. .

Level of service (LOS) as a metric of transportation impacts is being de-emphasized at the State level through SB 743. Consider shifting instead to a Vehicle Miles Traveled (VMT) based approach to transportation impact evaluation as part of the General Plan process. Local policy changes can take advantage of the opportunity this creates to impose conditions on development that further reduce transportation impacts and promote alternate modes of transportation.

**Case study:** Transportation Sustainability Program (San Francisco). Replaces traffic level of service (LOS) evaluation of development projects with evaluation based on transportation demand management and non-auto mode share.[56]

### Recommendation. Establish an In-Lieu Parking Program.

Many cities offer an in-lieu fee option for developers who are unable to provide requisite on-site parking for a proposed development project. This could be due to small lot size, soil or drainage characteristics, or other environmental or site considerations. To encourage pedestrian-oriented development throughout Menlo Park and especially in the downtown core, consider adopting an In-Lieu Parking Program allowing developers to pay a per-stall fee in lieu of providing some or all of on-site required parking, as Menlo Park has already started

52 http://marketstreetprototyping.org/

53 http://pavementtoparks.sfplanning.org/parklets.html

54 www.thirdstreetgreen.com

55 https://www.sanjoseca.gov/index.aspx?NID=1744

56 http://www.sf-planning.org/index.aspx?page=3035

exploring in its Specific Plan. Work with a consultant to establish appropriate fee structure.

**Case study:** Mountain View, Palo Alto, Redwood City, San Jose, Walnut Creek, Burlingame. Build Public can furnish details on these and additional in lieu programs upon request. See also "In Lieu of Required Parking" by Donald Shoup, 1999, Journal of Planning Education and Research.[57]

### Recommendation: Price parking strategically to support more efficient use of under-utilized facilities, and sufficient vacancy to allow drivers to park without circling.

See also Strategy 4D.

**Case study:** SFPARK (San Francisco). Uses dynamic parking pricing – prices that rise in high-demand locations and at high-demand times – to encourage use of under-utilized parking, keep some parking available at most times in most locations.[58]

### Recommendation. Install quality sidewalks, crossings, bulb-outs and lighting.

As envisioned in the Menlo Park El Camino Real and Downtown Specific Plan, incorporate pedestrian-oriented streetscape features such as these into a redesign of Santa Cruz Avenue.

**Case study:** Downtown Precise Plan: Public Frontage Regulations (Redwood City). Provides for improved sidewalks, trees, lighting and pedestrian crossings.[59]

### Recommendation. Encourage existing businessees to integrate into surrounding urban street grids.

Establish clear boundaries to public spaces, and engage the street interactively at ground level.

**Case studies:** Samsung Headquarters (North First Street, San Jose)[60]

Twitter Headquarters (Market Street, San Francisco)[61]

Think of these as a rebuttal to the familiar Silicon Valley campus in a park (e.g. Apple's new headquarters). These buildings are embedded in the street grid, maintaining and activating the pedestrian realm. At ground level, they host commercial uses that serve both employees and the public.

## GOAL 10

## WORK WITH NEIGHBORING CITIES TO INCREASE TRANSIT & CYCLING OPTIONS THAT INTEGRATE MENLO PARK INTO THE REGION

Transit is a regional dilemma. Menlo Park cannot solve regional problems on its own. However, Menlo Park can make local, tactical improvements in cooperation with businesses like Facebook, institutions like Stanford, and with neighboring cities like Redwood City, to enhance its connection to regional transit, private shuttles, car-sharing and bicycle networks.

### STRATEGY 10A:.INCREMENTALLY DEVELOP DUMBARTON RAIL CORRIDOR INTO A MULTI-MODAL CONNECTOR BETWEEN THE EAST SIDE AND THE DOWNTOWN REDWOOD CITY CALTRAIN STATION

Capitalize on the existing rail corridor through the M2 zone for transit alternatives as described above.

57 http://mrsc.org/getmedia/ADF5FFDC-BCC3-4A41-909F-F51980D68874/Shoup.aspx.

58 http://sfpark.org/resources/how-the-sfmta-makes-parking-management-decisions/

59 http://www.redwoodcity.org/phed/planning/precise/preciseplan.html

60 http://www.spur.org/publications/article/2014-01-14/taste-future-north-first-street

61 http://www.spur.org/publications/article/2014-01-14/taste-future-north-first-street

### STRATEGY 10B: ESTABLISH PARTNERSHIPS WITH REGIONAL TRANSPORTATION SHARING PROGRAMS

The Bay Area boasts several innovative rideshare programs that capitalize on the sharing economy to reduce car trips, traffic and parking congestion. As Menlo Park considers an increasingly transit-oriented future (e.g. Dumbarton Rail, Caltrain, High Speed Rail), it will be important to put systems in place to allow transit riders access to all parts of Menlo Park without needing a car. Note: the below recommendations are intended to provide examples of existing services with which Menlo Park could partner. The three companies listed below are not assumed to be the only companies offering such services; as such, Menlo Park should conduct a thorough review of all companies offering similar services to determine which best fit Menlo Park's needs.

Recommendation: Identify and partner with a provider with a successful regional network of bike-sharing pods to bring these services to Menlo Park.

Currently there are regional bicycle share programs with stations at the Redwood City Caltrain and Palo Alto Caltrain. Menlo Park should consider partnering with an established regional bike share program to install a bike share station at the Menlo Park Caltrain, potentially another location downtown, and in the Willow Road and Jefferson Road areas in the M-2 zone, consistent with the General Plan update.

Recommendation: Identify and partner with a provider with a successful regional network of scooter-sharing pods to bring these services to Menlo Park.

Recommendation: Identify and partner with a provider with a successful regional network of car-sharing pods to bring these services to Menlo Park.

### STRATEGY 10C: EXPAND EXISTING PUBLIC SHUTTLE SERVICE CONNECTING MAJOR MENLO PARK DESTINATIONS

Explore ways to attract more ridership on Menlo Park's existing Caltrain, Midday and Shopper Shuttle Programs to further alleviate traffic and parking congestion, to increase mobility for youth and the elderly to key local destinations, and to encourage Caltrain ridership by growing the transit-accessibility of Menlo Park destinations. Currently, ridership on some shuttle routes is only 40-50%, indicating these existing routes have untapped capacity that the community should be leveraging. Increasing awareness of the program in schools, community and senior facilities, and local community groups could help this program become more robust. As outlined, Menlo Park should implement the recommendations outlined in the El Camino Real Downtown Specific Plan's Circulation Chapter, to, "increase shuttle service to serve added travel demand, improve east-west connectivity and reduce demand for parking in the plan area" and to "continue employer-sponsored programs that support and increase transit use."[62]

Funding models:

- Menlo Park could re-examine its existing Annual Shuttle Fee levied on new development, currently at $0.105/sq.ft. Evaluate potential to increase rate or apply rate to major commercial renovations in addition to new development.
- Advertising revenue from shuttle side banners, shuttle stop walls, etc
- Revenue from a downtown parking meter program

62 City of Menlo Park, CA. July 12, 2012. Menlo Park El Camino Real / Downtown Specific Plan. http://www.menlopark.org/149/El-Camino-Real-Downtown-Specific-Plan

**Case Studies:** Emeryville's Emery-Go-Round, San Jose's DASH, Monterey's The Wave, Hoboken's The Hop. Build Public can provide details on these and other shuttle programs if requested.

### STRATEGY 10D: CONSIDER OPENING THE CITY'S AUTOMOBILE FLEET TO CAR-SHARING DURING NON-PEAK HOURS

Cities across the country are starting to use carshare programs to gain efficiencies in municipal vehicle fleet operations and maintenance costs, to meet greenhouse gas emissions targets, and to free up parking for public use. In Berkeley, the City has partnered with City CarShare to reserve a dedicated number of vehicles solely for city use during the work week. On weekends those cars become available to regular CarShare members for use. Other cities have now developed similar carsharing systems: Houston and Washington DC both use FastFleet; Philadelphia uses Enterprise CarShare for Government.

#### Recommendation: Municipal Carsharing.

Consider converting some or all of Menlo Park's city vehicle fleet to a carsharing model, allowing usage of municipal fleet on weekends and/or evenings for public carshare service. This program could further the Greenhouse Gas Reduction Strategy to be outlined in the General Plan Update. Explore options with established regional car-sharing programs, obtain and compare cost estimates to present to the City Council for review.

**Case Study:** City of Berkeley City CarShare Fleet[63] - Dedicated CarShare cars for city employees during work week, open to general CarShare members on weekends

63 http://puff.lbl.gov/transportation/transportation/energy-aware/pdf/park-june05.pdf

### STRATEGY 10E: CREATE A "ONE-STOP-SHOP" ALTERNATIVE TRANSPORTATION ONLINE PLATFORM

In addition to expanding capacity for alternatives to car-based travel modes, Menlo Park should concurrently expand awareness of and user support for these alternative modes from cycling and walking to established regional bicycle and/or scooter sharing programs, to the Dumbarton Rail concept. As Menlo Park considers expansion of its transit options over the coming years, it is worthwhile to establish early on a digital central clearinghouse outlining all travel options in a clear accessible manner. This way, as new transit modes are added to the city's network, residents and transit users will already be familiar with the existence of a central information hub where they can learn about each transit option available to them and recommended routes. Envisioned as a website or app, this clearinghouse could also offer coupons or other incentives to boost ridership.

#### Recommendation: Consider developing a "GoMenlo" type sub-website and/or app to educate and connect residents and employees to the full range of transportation alternatives within and beyond Menlo Park.

An informational hub like this should include descriptions of all available modes, as well as links to "how to" trip planning and fare information.

**Case Study:** GoBerkeley, City of Berkeley – received federal funding, explores methods for reducing local traffic congestion. 2012-2015 pilot so should have advice and lessons learned to share.[64]

**Case Study:** HopStop – web- and app-based transit planning service in 300 cities worldwide.[65]

64 http://www.goberkeley.info/

65 https://www.hopstop.com/

## GOAL 11

### ATTEND TO THE DETAILS

In order for Menlo Park not to lose sight of the "small stuff" which supports overall quality of life, it must continue to focus on everyday services like maintenance and public infrastructure improvements. Unfortunately, these services often are among the first to go when City budget or staffing declines; many cities are moving the responsibility of streetscape maintenance onto abutting property owners (in downtown Los Altos for example, many property owners are responsible for the publicly owned planted area between sidewalk and street). While a good idea in theory to call on the private sector to perform maintenance and improvements that benefit nearby property owners, developers and businesses, in reality the agreements are not always codified or funded adequately to ensure proper stewardship of the public realm.

#### STRATEGY 11A: LEVERAGE TECHNOLOGY TO ENGAGE COMMUNITY IN WAYS TO IMPROVE CITY SERVICES

Recommendation: Establish and publish "baseline" city service standards and associated budgets on website.

Clear communication of the services that a city provides its taxpayers in terms of its maintenance and improvements of the public realm is important for building trust between a city and its citizens. To outline these services on the City's website, broken down into taxpayer-dollar metrics, may help residents understand and better appreciate how their tax dollars are being put to good use. This will also help identify for citizens, neighborhood groups, developers, businesses and property owners where city services are in need of private supplementation. Menlo Park's new Open Government website is exemplary in its clear communication of city budget, and should continue to make city data publicly available online.

**Case Study:** Palo Alto's Open Data platform – City Services dashboard[66]

Recommendation: Open source city data to allow private development and adoption of civic apps

Many web-based tools are being developed nationwide to help city governments innovate. Code for America has numerous open source apps and APIs for cities to adapt to suit their needs.

**Case Study:** Code for America's "Adopt a Fire Hydrant" program used in Boston[67]

Described in Jennifer Pahlka's 2012 TED Talk, "Coding a Better Government" (12 minutes)[68]

Recommendation: Crowd-source ideas or vendors to provide City services or issue permits more efficiently.

#### STRATEGY 11B: LEVERAGE PUBLIC-PRIVATE PARTNERSHIPS TO SUPPLEMENT OR IMPROVE CITY SERVICES

The private sector – developers, property owners, community groups and other nonprofits – can step in to supplement baseline city services where more assistance is needed, provided the parties can agree to a long-term maintenance and funding plan.

66 http://data.cityofpaloalto.org/dashboards/8873/city-services/

67 http://www.codeforamerica.org/apps/

68 http://www.ted.com/talks/jennifer_pahlka_coding_a_better_government/transcript?language=en

### Recommendation: Incentivize the establishment of new non-profit, neighborhood-based assessment and stewardship entities to supplement existing City maintenance & operations

In San Francisco, residential property owners who want to improve their neighborhood parks, streetscapes, and other public realm features can form a Green Benefit District (GBD). A GBD is like a Business Improvement District (BID) for residential neighborhoods, and is a form of assessment district. District property owners pay through their property taxes to feed a fund that is used for agreed-upon neighborhood improvements. Importantly, because it has a regular funding source a GBD must have a robust management plan that outlines how the funds are to be managed, how the assessment rate is calculated, and what project types can be funded. A Community Facilities District (CFD) is also applicable in this case, see Strategy 1B for details.

**Case study:** Northwest Potrero Hill Dogpatch GBD (San Francisco). This is the first pilot of the GBD program and is in the formation process. Pending sufficient petition and ballot support, the inaugural assessment would be placed on November 2015 property tax bills.[69]

69 http://www.phd-gbd.org/

## CONCLUSION

Menlo Park boasts unique comparative economic advantages in the San Francisco Bay Area region, upon which the Economic Development Goals aim to capitalize in order to grow economic resilience. This set of recommendations is intended to be a helpful guide for the City of Menlo Park in pursuit of these Goals, as approved by the Menlo Park City Council in February 2015. To the extent possible, Menlo Park should consider incorporating these recommendations into its General Plan update and biennial El Camino Real / Downtown Specific Plan review, to ensure that the Economic Development Goals are implemented in furtherance of Menlo Park's long term economic sustainability.

BUILD PUBLIC